

Putnam Ohio Tax Exempt Income Fund

The fund's portfolio

2/29/20 (Unaudited)

Key to holding's abbreviations

AGM — Assured Guaranty Municipal Corporation

AMBAC — AMBAC Indemnity Corporation

COP — Certificates of Participation

FHLMC Coll. — Federal Home Loan Mortgage Corporation
Collateralized

FNMA Coll. — Federal National Mortgage Association
Collateralized

FRB — Floating Rate Bonds: the rate shown is the current interest rate at the close of the reporting period. Rates may be subject to a cap or floor. For certain securities, the rate may represent a fixed rate currently in place at the close of the reporting period.

G.O. Bonds — General Obligation Bonds

GNMA Coll. — Government National Mortgage Association
Collateralized

NATL — National Public Finance Guarantee Corporation

PSFG — Permanent School Fund Guaranteed

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 1.15% as of the close of the reporting period.

MUNICIPAL BONDS AND NOTES (99.4%)(a)

	Rating ^(RAT)	Principal amount	Value
Alaska (1.3%)			
AK State Indl. Dev. & Export Auth. Rev. Bonds, (Tanana Chiefs Conference), Ser. A			
5.00%, 10/1/31	A+/F	\$500,000	\$635,570
5.00%, 10/1/30	A+/F	650,000	828,698
			1,464,268
California (0.9%)			
CA State Poll. Control Fin. Auth. Solid Waste Disp. 144A Mandatory Put Bonds (5/1/29), (Republic Svcs., Inc.), Ser. A, 1.09%, 8/1/23	BBB+	1,000,000	1,000,210
			1,000,210

Guam (1.4%)

Territory of GU, Govt. G.O. Bonds, 5.00%, 11/15/31	Ba1	585,000	706,048
Territory of GU, Port Auth. Rev. Bonds, Ser. B			
5.00%, 7/1/37	A	200,000	245,784
5.00%, 7/1/36	A	400,000	492,812
5.00%, 7/1/33	A	200,000	247,840
			<hr/>
			1,692,484

Indiana (1.6%)

Whiting, Env. Fac. Mandatory Put Bonds (6/5/26), (BP Products North America, Inc.), Ser. A, 5.00%, 12/1/44	A1	1,500,000	1,836,150
			<hr/>
			1,836,150

Ohio (89.3%)

Allen Cnty., Hosp. Fac. Rev. Bonds			
5.00%, 8/1/21	A+	400,000	422,360
Ser. A, 4.00%, 8/1/38	A+	1,370,000	1,575,363
American Muni. Pwr., Inc. Rev. Bonds			
(Greenup Hydroelectric Pwr. Plant), Ser. A, 5.00%, 2/15/41	A1	1,000,000	1,186,960
(Hydroelectric Pwr. Plant), Ser. A, 5.00%, 2/15/41	A2	830,000	982,596
Bluffton, Hosp. Fac. Rev. Bonds, (Blanchard Valley Hlth. Syst.), 5.00%, 12/1/31	A2	650,000	814,366
Bowling Green State U. Rev. Bonds, Ser. A, 5.00%, 6/1/42	A1	1,000,000	1,182,260
Buckeye, Tobacco Settlement Fin. Auth. Rev. Bonds			
Ser. A-2, 5.75%, 6/1/34	Ca	1,500,000	1,501,815
Ser. B-2, Class 2, 5.00%, 6/1/55	BB/P	1,000,000	1,130,880
Ser. A-2, Class 1, 4.00%, 6/1/48	BBB+	1,500,000	1,721,130
Carlisle, Local School Dist. G.O. Bonds, (School Impt.)			
5.00%, 12/1/47	AA	500,000	586,845
5.00%, 12/1/42	AA	350,000	412,720
5.00%, 12/1/37	AA	100,000	119,078
Centerville, Hlth. Care Rev. Bonds, (Graceworks Lutheran Svcs.), 5.25%, 11/1/50	BB+/P	500,000	566,950
Cincinnati, G.O. Bonds, Ser. D, 4.00%, 12/1/32	Aa2	500,000	536,615
Cincinnati, Econ. Dev. Rev. Bonds, (Keystone Parke Phase III), Ser. B, 5.00%, 11/1/40	AA	500,000	596,925
Cleveland, Income Tax Rev. Bonds			
(Impt. Pk. & Recreational), 5.00%, 10/1/33	AA	615,000	776,185
(Pub. Fac. Impt.), Ser. B-1, 5.00%, 10/1/33	AA	300,000	382,221
(Bridges & Roadways Impt.), Ser. B-2, 5.00%, 10/1/32	AA	1,000,000	1,276,660
(Pub. Fac. Impt.), Ser. B-1, 5.00%, 10/1/32	AA	500,000	638,330
(Impt. Bridges), 4.00%, 10/1/29	AA	300,000	353,685
(Impt. Bridges), 4.00%, 10/1/28	AA	400,000	474,880
Cleveland, Pkg. Fac. Rev. Bonds, AGM, 5.25%, 9/15/22	AA	1,630,000	1,805,046
Cleveland, Pub. Pwr. Syst. Rev. Bonds			
Ser. A, AGM, 4.00%, 11/15/38	AA	600,000	719,076
Ser. A, AGM, 4.00%, 11/15/36	AA	750,000	904,643
Ser. B-1, NATL, zero %, 11/15/25	A3	3,000,000	2,755,110

Cleveland, State U. Rev. Bonds, 5.00%, 6/1/37	A1	1,500,000	1,598,115
Cleveland, Wtr. Poll. Control Rev. Bonds, (Green Bonds)			
5.00%, 11/15/41	Aa3	500,000	597,975
5.00%, 11/15/36	Aa3	435,000	523,496
Cleveland-Cuyahoga Cnty., Rev. Bonds, (Euclid Ave. Dev., Corp.), 5.00%, 8/1/39	A2	1,000,000	1,140,300
Cleveland-Cuyahoga Cnty., Port Auth. Cultural Fac. Rev. Bonds, (Playhouse Square Foundation), 5.50%, 12/1/53	BB+	700,000	836,066
Columbus, Metro. Library Special Oblig. Rev. Bonds, 4.00%, 12/1/38	Aa2	1,000,000	1,204,130
Columbus, Swr. VRDN, Ser. B, 1.10%, 6/1/32	VMIG 1	930,000	930,000
Confluence Cmnty. Auth. Rev. Bonds, (Stadium & Sports), 4.00%, 5/1/36	AA+	1,000,000	1,197,090
Cuyahoga Cmnty., College Dist. Rev. Bonds, Ser. D, 5.00%, 8/1/32	Aa2	750,000	820,358
Cuyahoga Cnty., COP, (Convention Hotel), 5.00%, 12/1/27	AA-	1,250,000	1,445,913
Cuyahoga Cnty., Econ. Dev. Rev. Bonds			
5.00%, 1/1/41	A	1,435,000	1,823,368
5.00%, 1/1/37	A	400,000	513,796
5.00%, 1/1/34	A	300,000	387,852
Fairview Park City School Dist. G.O. Bonds, 5.00%, 12/1/42	Aa2	1,000,000	1,110,720
Franklin Cnty., Rev. Bonds, (Trinity Hlth. Corp. Oblig. Group), Ser. 17OH, 5.00%, 12/1/46	Aa3	2,445,000	3,002,900
Franklin Cnty., Convention Fac. Auth. Rev. Bonds, (Greater Columbus Convention Ctr. Hotel Expansion), 5.00%, 12/1/44	BBB-	1,000,000	1,239,130
Franklin Cnty., Hlth. Care Fac. Rev. Bonds			
(OH Presbyterian Retirement Svcs. (OPRS) Cmnty. Oblig. Group), Ser. A, 5.625%, 7/1/26	BBB/F	1,100,000	1,116,082
5.00%, 11/15/44	BBB+/F	1,000,000	1,119,990
Franklin Cnty., Hosp. Fac. Rev. Bonds, (Nationwide Children's Hosp.), Ser. A			
4.00%, 11/1/39	Aa2	500,000	581,745
4.00%, 11/1/38	Aa2	300,000	349,749
Gallia Cnty., Local School Impt. Dist. G.O. Bonds, 5.00%, 11/1/27	Aa2	815,000	959,174
Hamilton Cnty., Hlth. Care Rev. Bonds, (Life Enriching Cmnty.), 5.00%, 1/1/46	BBB-/F	1,000,000	1,146,440
Hamilton Cnty., Hosp. Fac. Rev. Bonds, (TriHealth, Inc. Oblig. Group), Ser. A, 5.00%, 8/15/42	A+	970,000	1,181,576
Hamilton Cnty., Sales Tax Rev. Bonds, Ser. B, AMBAC			
zero %, 12/1/24	A1	3,000,000	2,835,480
zero %, 12/1/22	A1	500,000	485,175
Huber Heights City School Dist. G.O. Bonds, (School Impt.), 5.00%, 12/1/31	Aa2	1,000,000	1,213,690
Huran Cnty., Human Svcs. G.O. Bonds, NATL, 6.55%, 12/1/20	Aa3	255,000	265,662
JobsOhio Beverage Syst. Rev. Bonds, (Statewide Sr. Lien Liquor Profits), Ser. A, 5.00%, 1/1/38 (Prerefunded 1/1/23)	AA+	700,000	782,453
Kent State U. Rev. Bonds, (Gen. Receipts), 5.00%, 5/1/30	Aa3	1,000,000	1,229,700
Lake Cnty., Cmnty. College Dist. COP, 4.00%, 10/1/35	A2	1,840,000	2,135,320

Lake Cnty., Hosp. Fac. Rev. Bonds, (Lake Hosp. Syst., Inc.), Ser. C, 6.00%, 8/15/43	Baa1	180,000	180,673
Lakewood, City School Dist. G.O. Bonds, (School Fac. Impt.), Ser. B			
4.00%, 11/1/35	Aa2	500,000	585,975
4.00%, 11/1/34	Aa2	430,000	504,902
4.00%, 11/1/33	Aa2	375,000	441,060
4.00%, 11/1/32	Aa2	225,000	266,047
Lorain Cnty., Port Auth. Econ. Dev. Facs. Rev. Bonds, (Kendal at Oberlin), 5.00%, 11/15/30	A	750,000	841,208
Lucas Cnty., Hlth. Care Fac. Rev. Bonds			
(Lutheran Homes), Ser. A, 7.00%, 11/1/45			
(Prerefunded 11/1/20)	BB+/P	700,000	727,930
(Sunset Retirement Cmnty.), 5.50%, 8/15/30	A-/F	650,000	686,699
Miami Cnty., Hosp. Fac. Rev. Bonds, (Kettering Hlth. Network Oblig. Group), 5.00%, 8/1/39	A+	1,000,000	1,254,410
Miami U. Rev. Bonds, 5.00%, 9/1/41	Aa3	500,000	607,470
Middleburg Heights, Hosp. Rev. Bonds, (Southwest Gen. Hlth. Ctr.), 5.00%, 8/1/47	A2	1,200,000	1,286,388
Napoleon, City Fac. Construction & Impt. School Dist. G.O. Bonds, 5.00%, 12/1/36	Aa3	500,000	546,850
New Albany, Plain Local School Dist. G.O. Bonds, (School Impt.), 4.00%, 12/1/29	Aa1	1,410,000	1,526,043
North Royalton, City School Dist. G.O. Bonds, (School Impt.), 5.00%, 12/1/47	Aa2	2,000,000	2,350,680
Northeastern Local School Dist. Clark Cnty., G.O. Bonds, AGM, 4.00%, 12/1/34	AA	790,000	931,497
OH Hsg. Fin. Agcy. Rev. Bonds, (Single Fam. Mtge.), Ser. 1, GNMA Coll., FNMA Coll., FHLMC Coll., 5.00%, 11/1/28	Aaa	5,000	5,029
OH State G.O. Bonds, (Infrastructure Impt.), Ser. A, 4.00%, 2/1/33	Aa1	2,315,000	2,478,254
OH State Higher Edl. Fac. Comm. Rev. Bonds			
(Summa Hlth. Syst.), 5.75%, 11/15/40	Baa2	370,000	373,423
5.25%, 12/1/48	BB	250,000	287,165
(Kenyon College), 5.00%, 7/1/44 (Prerefunded 7/1/20)	A	1,305,000	1,322,800
(Case Western Reserve U.), 5.00%, 12/1/40	AA-	1,000,000	1,221,710
(Xavier U.), 5.00%, 5/1/40	A3	750,000	753,893
(U. of Findlay (The)), 5.00%, 3/1/39	BBB-	500,000	591,150
(Oberlin Coll.), 5.00%, 10/1/31	AA	650,000	739,141
(U. of Dayton), Ser. A, 5.00%, 12/1/24	A+	285,000	338,383
(Kenyon College 2020), 4.00%, 7/1/44	A2	1,400,000	1,618,456
(Kenyon College 2020), 4.00%, 7/1/40	A2	730,000	852,545
OH State Hosp. Rev. Bonds, (U. Hosp. Hlth. Syst.), Ser. A, 5.00%, 1/15/41	A2	1,000,000	1,174,240
OH State Hosp. Fac. Rev. Bonds, (Cleveland Clinic Hlth. Syst.), Ser. A, 4.00%, 1/1/34	Aa2	1,250,000	1,480,313
OH State Private Activity Rev. Bonds, (Portsmouth Bypass Gateway Group, LLC), AGM, 5.00%, 12/31/39	AA	750,000	871,388
OH State Tpk. Comm. Rev. Bonds			
(Infrastructure), Ser. A-1, 5.25%, 2/15/32	Aa3	350,000	391,500
5.00%, 2/15/48 (Prerefunded 2/15/23)	Aa3	1,250,000	1,401,588
OH State U. Rev. Bonds, Ser. A, 5.00%, 12/1/39	Aa1	1,000,000	1,170,570
OH State Wtr. Dev. Auth. Rev. Bonds, Ser. A, 5.00%, 12/1/34	Aaa	750,000	927,113

OH U. Gen. Recipients Athens Rev. Bonds			
5.00%, 12/1/43 (Prerefunded 12/1/22)	Aa3	1,035,000	1,153,352
5.00%, 12/1/42 (Prerefunded 6/1/22)	Aa3	500,000	546,850
Princeton, City School Dist. G.O. Bonds, 5.00%, 12/1/36 (Prerefunded 12/1/24)	AA	500,000	599,115
Revere, Local School Dist. G.O. Bonds, (School Fac. Impt.), Ser. C			
4.00%, 12/1/33	Aa1	270,000	322,348
4.00%, 12/1/31	Aa1	1,000,000	1,202,750
Rickenbacker, Port Auth. Rev. Bonds, (OASBO Expanded Asset Pooled), Ser. A, 5.375%, 1/1/32	A2	935,000	1,228,113
Scioto Cnty., Hosp. Rev. Bonds, (Southern OH Med. Ctr.)			
5.00%, 2/15/34	A3	1,025,000	1,209,900
5.00%, 2/15/32	A3	865,000	1,026,392
Summit Cnty., G.O. Bonds, 4.00%, 12/1/31	Aa1	750,000	848,580
Toledo, Wtr. Wks. Syst. Rev. Bonds, 5.00%, 11/15/36	Aa3	500,000	616,285
Toledo-Lucas Cnty., Port Auth. FRB, (CSX Transn, Inc.), 6.45%, 12/15/21	A3	1,900,000	2,063,419
U. of Akron Rev. Bonds, Ser. A			
5.00%, 1/1/31	A1	500,000	588,020
5.00%, 1/1/28	A1	1,000,000	1,145,690
U. of Cincinnati Rev. Bonds, Ser. A, 5.00%, 6/1/31 (Prerefunded 6/1/22)	Aa3	500,000	546,850
Warren Cnty., Hlth. Care Fac. Rev. Bonds, (Otterbein Homes Oblig. Group)			
Ser. A, 5.75%, 7/1/33	A	500,000	573,765
5.00%, 7/1/39	A	1,000,000	1,136,060
Willoughby-Eastlake, City School Dist. G.O. Bonds, (School Impt.), 5.00%, 12/1/46 (Prerefunded 12/1/25)	A2	1,000,000	1,229,020
Youngstown State U. Rev. Bonds, 5.00%, 12/15/25	A+	500,000	525,370
			104,494,516
South Carolina (0.6%)			
SC Trans. Infrastructure Bank Mandatory Put Bonds (10/1/22), Ser. 03B, 1.559%, 10/1/31	Aa3	745,000	748,293
			748,293
Texas (2.1%)			
Clifton, Higher Ed. Fin. Corp. Rev. Bonds, (IDEA Pub. Schools), PSFG, 4.00%, 8/15/32	AAA	2,000,000	2,437,800
			2,437,800
Washington (2.2%)			
Grant Cnty., Pub. Util. Dist. No. 2 Mandatory Put Bonds (12/2/20), (Elec. Syst.), 2.00%, 1/1/44	AA+	2,600,000	2,612,916
			2,612,916
Total municipal bonds and notes (cost \$107,539,070)			\$116,286,637

SHORT-TERM INVESTMENTS (4.3%)(a)

		Principal amount/ shares	Value
Putnam Short Term Investment Fund 1.74%(AFF)	Shares	5,020,460	\$5,020,460
U.S. Treasury Bills 1.548%, 7/16/20(SEG)		\$48,000	47,789
Total short-term investments (cost \$5,068,184)			\$5,068,249

TOTAL INVESTMENTS

Total investments (cost \$112,607,254)			\$121,354,886
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FUTURES CONTRACTS OUTSTANDING at 2/29/20 (Unaudited)

	Number of contracts	Notional amount	Value	Expiration date	Unrealized appreciation/ (depreciation)
U.S. Treasury Bond Ultra 30 yr (Short)	5	\$1,037,500	\$1,037,500	Jun-20	\$(23,644)
Unrealized appreciation					—
Unrealized (depreciation)					(23,644)
Total					\$(23,644)

OTC INTEREST RATE SWAP CONTRACTS OUTSTANDING at 2/29/20 (Unaudited)

Swap counterparty/	Value	Upfront premium	Termination date	Payments made by fund	Payments received by fund	Unrealized appreciation/ (depreciation)
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notional amount		received (paid)					
Citibank, N.A.							
\$2,430,000	\$117,145 (E)	\$—	10/18/31	1.404% — Quarterly	SIFMA Municipal Swap index — Quarterly		\$(117,145)
4,500,000	102,285 (E)	—	10/18/26	SIFMA Municipal Swap index — Quarterly	1.182% — Quarterly		102,285
4,450,000	96,071 (E)	—	10/20/26	SIFMA Municipal Swap index — Quarterly	1.159% — Quarterly		96,071
1,310,000	117,908 (E)	—	10/21/41	1.559% — Quarterly	SIFMA Municipal Swap index — Quarterly		(117,908)
	Upfront premium received	—				Unrealized appreciation	198,356
	Upfront premium (paid)	—				Unrealized (depreciation)	(235,053)
	Total	\$—				Total	\$(36,697)

(E) Extended effective date.

OTC TOTAL RETURN SWAP CONTRACTS OUTSTANDING at 2/29/20 (Unaudited)

Swap counterparty/ notional amount	Value	Upfront premium received (paid)	Termination date	Payments received (paid) by fund	Total return received by or paid by fund	Unrealized appreciation/ (depreciation)
Bank of America N.A.						
\$900,000	\$10,145	\$—	4/16/20	—	1.02% minus Municipal Market Data Index AAA municipal yields 5 Year rate — At maturity	\$10,145
Citibank, N.A.						
360,000	17,820	—	6/4/20	—	1.86% minus Municipal Market Data Index AAA municipal yields 30 Year rate — At maturity	17,820
180,000	9,215	—	5/21/20	—	1.86% minus Municipal Market Data Index AAA municipal yields 30 Year rate — At maturity	9,215
Morgan Stanley & Co. International PLC						
900,000	10,024	—	4/21/20	—	1.02% minus Municipal Market Data Index AAA	10,024

223,000	10,971	—	5/21/20	—	municipal yields 5 Year rate — At maturity	10,971
					1.85% minus Municipal Market Data Index AAA municipal yields 30 Year rate — At maturity	
223,000	11,416	—	5/21/20	—	1.86% minus Municipal Market Data Index AAA municipal yields 30 Year rate — At maturity	11,416
Upfront premium received		—			Unrealized appreciation	69,591
Upfront premium (paid)		—			Unrealized (depreciation)	—
Total		\$—			Total	\$69,591

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, 2019 through February 29, 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 \$116,977,835.

(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 5/31/19	Purchase cost	Sale proceeds	Investment income	Shares outstanding and fair value as of 2/29/20
Short-term investments					
Putnam Short Term Investment Fund*	\$—	\$13,124,378	\$8,103,918	\$22,087	\$5,020,460

clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default. When the contract is closed, the fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

Futures contracts are valued at the quoted daily settlement prices established by the exchange on which they trade. The fund and the broker agree to exchange an amount of cash equal to the daily fluctuation in the value of the futures contract. Such receipts or payments are known as "variation margin".

For the fund's average number of futures contracts, see the appropriate table at the end of these footnotes.

Interest rate swap contracts: The fund entered into OTC and/or centrally cleared interest rate swap contracts, which are arrangements between two parties to exchange cash flows based on a notional principal amount, for hedging term structure risk and for yield curve positioning.

An OTC and centrally cleared interest rate swap can be purchased or sold with an upfront premium. For OTC interest rate swap contracts, an upfront payment received by the fund is recorded as a liability on the fund's books. An upfront payment made by the fund is recorded as an asset on the fund's books.

OTC and centrally cleared interest rate swap contracts are marked to market daily based upon quotations from an independent pricing service or market makers. Any change is recorded as an unrealized gain or loss on OTC interest rate swaps. Daily fluctuations in the value of centrally cleared interest rate swaps are settled through a central clearing agent and are recorded as unrealized gain or loss. Payments, including upfront premiums, received or made are recorded as realized gains or losses at the reset date or the closing of the contract. Certain OTC and centrally cleared interest rate 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 if the counterparty defaults, in the case of OTC interest rate contracts, or the central clearing agency or a clearing member defaults, in the case of centrally cleared interest rate swap contracts, on its respective obligation to perform under the contract. 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 interest rate swap contracts by having a master netting arrangement between the fund and the counterparty and for centrally cleared interest rate swap contracts through the daily exchange of variation margin. There is minimal counterparty risk with respect to centrally cleared interest rate 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 interest rate swap contracts, see the appropriate table at the end of these footnotes.

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 \$9,662 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	\$—	\$116,286,637	\$—
Short-term investments	5,020,460	47,789	—
Totals by level	\$5,020,460	\$116,334,426	\$—

	Valuation inputs		
Other financial instruments:	Level 1	Level 2	Level 3
Futures contracts	\$(23,644)	\$—	\$—
Interest rate swap contracts	—	(36,697)	—
Total return swap contracts	—	69,591	—
Totals by level	\$(23,644)	\$32,894	\$—

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:

Futures contracts (number of contracts)	3
OTC interest rate swap contracts (notional)	\$7,600,000
OTC total return swap contracts (notional)	\$1,200,000

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