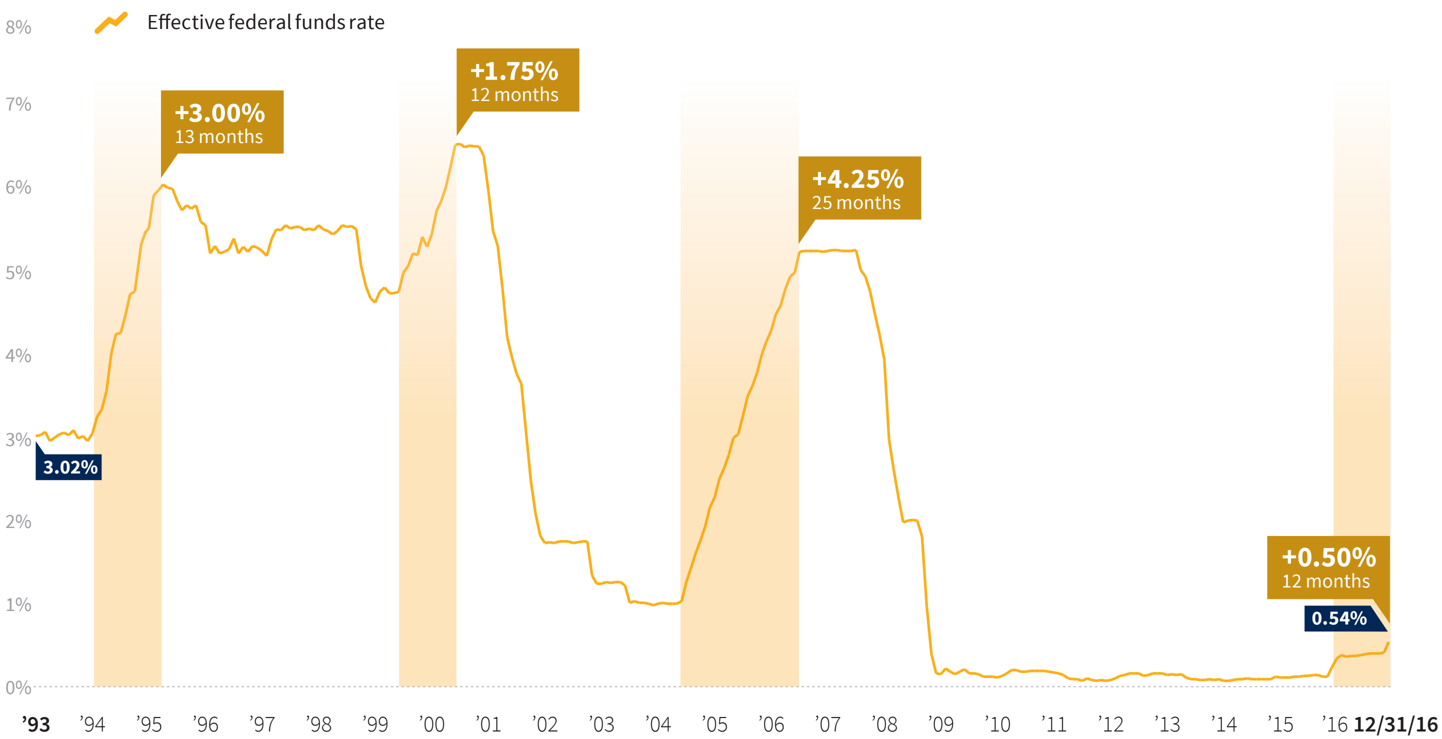
Floating-rate bank loans offer a degree of protection from rising rates



During periods of rising short-term interest rates (highlighted in the chart and table), floating-rate bank loans historically have been an effective hedge for fixed-income investors. During the past four rising-rate cycles, floating-rate loans have outperformed 10-year Treasuries by an average of more than 6% per year.

WHAT ARE FLOATING-RATE BANK LOANS?

Floating-rate bank loans offer interest payments that are set at a certain margin above prevailing short-term rates, typically the London Interbank Offered Rate, or LIBOR. As that benchmark interest rate moves, the loans "float" along with it; the coupon moves up or down as the market changes. As a result, floating-rate loans historically have performed well during periods of rising interest rates. Of course, as interest rates fall, the interest income offered by floating-rate bank loans tends to decrease as well. However, the LIBOR floor feature of a loan's contract offers some protection against falling LIBOR rates. If LIBOR falls, it mandates that a minimum yield premium over LIBOR will still be paid to investors.

Source: United States Federal Reserve, as of 12/31/16. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight. The effective rate shown in the chart represents the monthly average of the volume-weighted median rate of overnight federal funds transactions. Past performance is not indicative of future results.

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Annualized
Credit Suisse Leveraged Loan Index	10.3	8.9	7.5	8.3	5.3	4.7	4.9	2.7	1.1	11.0	5.6	5.7	7.3	1.9	-28.8	44.9	10.0	1.8	9.4	6.2	2.1	-0.4	9.9	5.5
10-year U.S. Treasury	-7.9	23.8	0.1	11.3	12.9	-8.4	14.5	4.0	14.6	1.3	4.9	2.1	1.3	9.7	20.1	-9.8	8.0	17.2	4.1	-7.8	10.7	0.9	-0.2	5.2

Putnam Floating Rate Income Fund offers exposure to a unique asset class

Because of the unique properties of floating rate bank loans, they can be an attractive complement to fixed rate securities in an income-oriented portfolio. Putnam Floating Rate Income Fund features:

Higher coupon payments as rates rise

Bank loans have historically performed well amid rising interest rates because their yields adjust higher and become more attractive.

Exposure to corporate credit

Floating-rate bank loans are often made to less-mature and expanding corporations. Investors can potentially benefit as the economy grows or the issuing companies become more profitable.

A hedge against rising long-term rates

Floating-rate bank loans by definition have a much lower sensitivity to rate changes, as measured by duration: approximately 0.26 years for the index as of September 30, 2017, compared with durations of over three and nearly six years, respectively, for the high-yield and broad-based bond markets.*

Extensive team-based research

The fund's experienced managers select a diverse range of loans using a team-based approach to fundamental credit research.

* Source: Putnam research. As of 9/30/17, S&P/LSTA Leveraged Loan Index, the JPMorgan Developed High Yield Index, and the Bloomberg Barclays U.S. Aggregate Bond Index had durations of 0.26, 3.37, and 5.93 years, respectively. Duration measures the sensitivity of bond prices to interest-rate changes.

Annualized total return performance as of 9/30/17

Class Y shares Inception 10/4/05	**At net asset value**	**S&P/LSTA Leveraged Loan Index**
1 year	4.16%	5.29%
3 years	3.23	3.87
5 years	3.64	4.09
10 years	3.64	4.72
Life of fund	3.82	4.82

Total expense ratio: 0.78%

S&P/LSTA Leveraged Loan Index (LLI) is an unmanaged index of U.S. leveraged loans. 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 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. Performance for class Y shares before their inception are derived from the historical performance of class A shares (inception 8/4/04), which have not been adjusted for the lower expenses; had they, returns would have been higher. For the most recent month-end performance, please visit putnam.com.

For informational purposes only. Not an investment recommendation.

Consider these risks before investing: The value of securities in the fund's portfolio may fall or fail to 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 or industry. These factors may also lead to periods of high volatility and reduced liquidity in the bond markets. Lower-rated bonds may offer higher yields in return for more risk. 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. Unlike bonds, funds that invest in bonds have fees and expenses. Risks associated with derivatives include increased investment exposure (which may be considered leverage) and, in the case of over-the-counter instruments, the potential inability to terminate or sell derivatives positions and the potential failure of the other party to the instrument to meet its obligations. Floating-rate loans may reduce, but not eliminate, interest-rate risk. These loans are typically secured by specific collateral or assets of the issuer. (Holders of the loan, such as the fund, have a priority claim on those assets in the event of the issuer's default or bankruptcy.) Value of collateral may be insufficient to meet the issuer's obligations, and the fund's access to collateral may be limited by bankruptcy or other insolvency laws. You can lose money by investing in the fund.

Investors should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing. For a prospectus or a summary prospectus containing this and other information for any Putnam fund or product, call your financial representative or call Putnam at 1-800-225-1581. Please read the prospectus carefully before investing.

Putnam Retail Management

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