

Objective

The fund seeks absolute return (i.e., positive total return in diverse market environments over time).

Portfolio managers

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Inception

September 21, 2017

Benchmark

ICE BofAML
U.S. Treasury Bill Index

Symbols

Quotron
PPMYX

CUSIP
74680L477

Net assets

\$10.88M

Expense ratio

(Y shares)
Total expense ratio
2.04%

What you pay
1.65%

“What you pay” reflects Putnam Management’s decision to contractually limit expenses through 12/30/18.

FOR INVESTMENT
PROFESSIONAL USE ONLY

Not FDIC insured
May lose value
No bank guarantee

INTRODUCING**Putnam PanAgora Market Neutral Fund**

Pursuing absolute return from a diversified set of arbitrage strategies.

Uncorrelated alpha

The fund’s investment strategies are designed to derive uncorrelated returns purely from alpha generation rather than from market risk.

Arbitrage strategies

The fund invests in a diversified set of long/short global equity arbitrage strategies targeting different market inefficiencies and time horizons.

Differentiated research

A systematic investment process combines fundamental signals with quantitative techniques.

Fund description

The fund offers a long/short global equity market neutral strategy that seeks absolute return in diverse markets over time. The fund implements a systematic, disciplined approach to invest in a diversified set of arbitrage strategies with the goal of exploiting multiple inefficiencies in global equity markets. The fund’s portfolio management team is continuously engaged in original research, including identification of unique data sources, in an effort to ensure investment strategies remain effective as financial markets change.

Portfolio characteristics

The fund invests in a diversified set of arbitrage strategies that seek to exploit long-term, intermediate-term, and short-term market inefficiencies:

- The long-term strategies typically represent a majority of assets and emphasize investments selected to capitalize on a company’s fundamental strengths or weaknesses that the managers expect to be manifest in market performance over a 9- to 12-month horizon.
- The intermediate-term strategies, which cover a 3- to 9-month horizon, seek to capitalize on opportunities created when an equity’s price deviates from a predefined target. The fund expects to use a number of pair trading strategies, including merger arbitrage, in this regard.
- The short-term strategies involve event-driven arbitrage opportunities created by significant corporate actions or market events that are expected to play out over a period of up to three months.

The fund may invest in the equity securities of any company of any size anywhere in the world. To facilitate investment in this broad investable universe, the managers expect to implement the fund’s strategy primarily through single-name total return swap holdings.

Role in a portfolio

In pursuing a broad range of non-correlated investment strategies across global equity markets, the fund seeks to generate absolute return from stock-specific trades (alpha), not from market-related movements (beta). The fund is designed to offer low-to-zero correlation and beta to general equity markets and may be used as a diversifying complement within a traditional portfolio.

Strategies focused on arbitrage opportunities

Arbitrage is an investment strategy that involves coordinated purchases and selling of investments with the goal of profiting from price differences. The fund uses a diversified set of arbitrage strategies.

Cumulative total return performance

Inception 9/21/17	Class Y shares	ICE BofAML U.S. Treasury Bill Index
4Q17	-0.70%	0.25%
Life of fund	-1.20%	0.28%

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 Y shares 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.

Related performance

PanAgora Asset Management has offered the market neutral strategy to institutions since 2013. It has built a solid track record of total return performance with low correlation to the MSCI World Index along with low overall volatility and attractive risk-adjusted returns as measured by Sharpe ratio. Reflecting its absolute return objective, Putnam PanAgora Market Neutral Fund has a benchmark representing cash securities, the ICE BofAML U.S. Treasury Bill Index.

PanAgora Diversified Arbitrage (DL) Strategy Composite (Net of fees)

Annualized returns for periods ended 12/31/17	1 year	3 years	Since inception (4/1/13)
PanAgora Diversified Arbitrage (DL) Strategy Composite (Net of fees)	-3.60%	2.25%	3.58%
Benchmark (ICE BofAML U.S. Treasury Bill Index)	0.81	0.42	0.29
Composite standard deviation	4.57	7.00	6.23
Composite Sharpe ratio	-0.97	0.26	0.53
Composite correlation (MSCI World Index)	—	—	—

Annual performance	2017	2016	2015	2014	(4/1/13–12/31/13)
PanAgora Diversified Arbitrage (DL) Strategy Composite (Net of fees)	-3.60%	-5.92%	17.87%	5.74%	4.56%
Benchmark (ICE BofAML U.S. Treasury Bill Index)	-0.81	0.37	0.09	0.06	0.07

PanAgora Diversified Arbitrage (DL) Strategy Composite (Gross of fees)

Annualized returns for periods ended 12/31/17	1 year	3 years	Since inception (4/1/13)
PanAgora Diversified Arbitrage (DL) Strategy Composite (Gross of fees)	-2.10%	3.75%	5.09%
Benchmark (ICE BofAML U.S. Treasury Bill Index)	0.81	0.42	0.29
Composite standard deviation	4.54	6.95	6.19
Composite Sharpe ratio	-0.65	0.48	0.78
Composite correlation (MSCI World Index)	-0.32	0.01	0.07

Annual performance	2017	2016	2015	2014	(4/1/13–12/31/13)
PanAgora Diversified Arbitrage (DL) Strategy Composite (Gross of fees)	-2.10%	-4.42%	19.37%	7.24%	5.68%
Benchmark (ICE BofAML U.S. Treasury Bill Index)	0.81	0.37	0.09	0.06	0.07

Composite performance is expressed in local currency. Past performance is not a guarantee of future results. See the following page for important disclosures regarding related performance.

Related Performance Disclosures

Putnam PanAgora Market Neutral Fund (the “fund”) is newly organized and has limited performance history. The related performance information presented is for the PanAgora Diversified Arbitrage (DL) Strategy Composite (the “Composite”). It is not that of the fund and should not be considered a substitute for the fund’s own performance. Past returns are not indicative of future performance.

Putnam Investment Management, LLC (“Putnam Management”) is the fund’s investment advisor. Putnam Management’s affiliate, PanAgora Asset Management, Inc. (“PanAgora”), is the fund’s sub-advisor and also acts as investment advisor or sub-advisor to the accounts in the Composite. The Composite includes all accounts managed by PanAgora that have investment objectives, policies, and strategies that are substantially similar to those of the fund. This performance information provided above for the Composite is intended to illustrate the past performance of PanAgora in managing accounts that are substantially similar to the fund. The fund’s portfolio managers each played a primary role in the management of all the accounts in the Composite during the entire period for which the Composite’s performance is shown. The Composite includes some accounts that are not registered under the Investment Company Act of 1940, as amended (the “1940 Act”), and therefore are not subject to certain investment restrictions, diversification requirements, and other regulatory requirements imposed by the 1940 Act or by the Internal Revenue Code of 1986, as amended. If those accounts had been registered under the 1940 Act, their returns might have been lower.

Some accounts included in the Composite use U.S. dollars as their base currencies, while some use Australian dollars or euros. Accounts with non-U.S. dollar base currencies have been adjusted to reflect assets in U.S. dollars for purposes of asset-weighting the Composite returns. Australian dollar and euro account market values are translated each month to U.S. dollars using the end-of-month closing exchange rates. Composite returns reflect the actual returns investors received in the currency the portfolio was managed. They do not reflect the experience of a U.S. dollar investor. Total fund expenses are expected to be generally higher than fees reflected in net-of-fee returns in the Composite.

PanAgora is a broad-based investment management organization that provides investment services to institutions through separately managed accounts, pooled funds, and mutual funds. The Firm is an independent investment advisor registered under the Investment Advisers Act of 1940 specializing in quantitative investment strategies and includes all assets under management. The accounts within the Diversified Arbitrage DL Strategy Composite seek to generate attractive, absolute returns by identifying and exploiting a variety of inefficiencies that exist in global equity markets. The Composite is composed of all discretionary institutional accounts managed by the Firm in this investment style. The creation date and inception date for the Composite was April 1, 2013. There is a minimum of \$2 million in long/short asset exposure for inclusion in this composite. PanAgora’s Diversified Arbitrage DL strategy may, at any time, utilize varying levels of leverage. An investment in the Diversified Arbitrage DL strategy should be considered leveraged and potentially subject to risk of losses. The Diversified Arbitrage DL strategy uses long and short positions that may invest in equity securities, exchange-traded options or swaps traded on global exchanges. Although the extent of leverage may vary by client, the gross exposure of the long and the short positions may represent up to six times the market value of a client’s account.

Returns are net of foreign withholding taxes on dividends, interest, and capital gains. Gross-of-fee returns are net of transaction costs but do not reflect the deduction of management fees and other expenses that may be incurred by an account. An account’s returns will be reduced by management and other fees. The net-of-fee returns reflect the deduction of a model fee equivalent to the highest applicable management fee in effect during the performance period chargeable to any account in the Composite, without the benefit of breakpoints, applied on a monthly basis. Actual performance of the accounts, including the fund, will be different, and may be higher or lower, than the Composite returns presented. Because this Composite represents the performance of accounts using an absolute return strategy with an objective of generating positive absolute returns, Composite returns are not measured against a particular benchmark.

The ICE BofA Merrill Lynch U.S. Treasury Bill Index is an unmanaged index that tracks the performance of U.S. dollar denominated U.S. Treasury bills publicly issued in the U.S. domestic market. Qualifying securities must have a remaining term of at least one month to final maturity and a minimum amount outstanding of \$1 billion. The MSCI World Index (ND) is an unmanaged index of equity securities from developed countries. The indexes are shown as a broad measure of market performance. Performance between a fund and an index will differ. The fund seeks absolute returns in excess of cash and cash-equivalent securities. Index results assume the reinvestment of dividends or interest paid on the securities included in the index. Unlike the accounts in the Composite and unlike the fund, an index does not incur fees or expenses. Index returns are stated in U.S. dollars. ICE Data Indices, LLC (“ICE BofAML”), used with permission. ICE BofAML permits use of the ICE BofAML indices and related data on an “as is” basis; makes no warranties regarding same; does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the ICE BofAML indices or any data included in, related to, or derived therefrom; assumes no liability in connection with the use of the foregoing; and does not sponsor, endorse, or recommend Putnam Investments, or any of its products or services.

Standard deviation is calculated as the amount by which individual returns differ or vary from the average returns over a specified period, and is used to measure the overall level of volatility of a portfolio’s returns. Generally, the higher the standard deviation, the greater the expected volatility of returns and potentially higher risk.

The Sharpe ratio is a measure of historical adjusted performance calculated by dividing the fund’s return minus the risk-free rate (ICE BofAML U.S. 3-month T-bill) by the standard deviation of the fund’s return. The Sharpe ratio can help indicate whether a portfolio’s investment returns are the result of excessive risk. Higher Sharpe ratios signify better risk-adjusted performance (that is, relatively lower risk associated with a particular level of investment return, or, conversely, better investment return associated with a particular level of risk).

Correlation is a statistic that measures the degree to which two assets move in relation to each other. Correlation is computed into what is known as the correlation coefficient, which has value that must fall between -1 and 1. A perfect positive correlation means that the correlation coefficient is exactly 1. This implies that as one security moves, either up or down, the other security moves in lockstep, in the same direction. A perfect negative correlation means that two assets move in opposite directions, while a zero correlation implies no relationship at all. The MSCI World Index captures large- and mid-cap representation across 23 developed market (DM) countries. It is shown for general comparative purposes only.

About PanAgora and Putnam

PanAgora Asset Management, the fund's sub-advisor, is a premier provider of research-driven investment solutions in alternatives, risk premia, and active strategies spanning all major asset classes and risk ranges. PanAgora manages systematic strategies that combine cutting-edge quantitative techniques with fundamental insights of experienced investment professionals. The firm is a recognized leader in innovative portfolio construction techniques implemented throughout its strategies. Founded in 1989, PanAgora is headquartered in Boston and had \$54 billion in assets under management as of December 31, 2017.

Putnam Retail Management is the fund's distributor and shares with PanAgora a commitment to offering investment choices that pursue long-term performance through active research and portfolio management. PanAgora and Putnam are affiliated members of the Power Financial Corporation group of companies.

For informational purposes only. Not an investment recommendation.

Consider these risks before investing: Use of leverage obtained through derivatives increases these risks by increasing investment exposure. Over-the-counter derivatives are also subject to the risk of the potential inability to terminate or sell derivatives positions and the potential failure of the other party to the instrument to meet its obligations. The use of short selling may result in losses if the securities appreciate in value. This risk is greatest in volatile markets. Losses could be limitless. International investing involves certain risks, such as currency fluctuations, economic instability, and political developments. Certain investments are not as readily traded as conventional securities. This illiquidity has the potential to increase transaction costs and lower returns. REIT funds may be subject to a high degree of market risk due to lack of industry diversification. Furthermore, REIT funds may be subject to other risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrowers. You can lose money by investing in the fund.

Your clients should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing. For a prospectus, or a summary prospectus if available, containing this and other information for any Putnam fund or product, call the Putnam Client Engagement Center at 1-800-354-4000. Your clients should read the prospectus carefully before investing.