

A world of investing.®



Putnam Low Volatility Equity Fund

Semiannual report

1 | 31 | 17



Blend funds invest opportunistically in a variety of stocks, such as growth stocks and value stocks.

FUND SYMBOL
CLASS A
PLVEX

Putnam Low Volatility Equity Fund

Semiannual report

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Consider these risks before investing: 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. Stock prices may fall or fail to rise over time for several reasons, including general financial market conditions and factors related to a specific company, industry, or sector. There may be times when stocks in the fund's portfolio exhibit higher volatility than we expect, are not correlated with market movements as we expect, or underperform the markets. By selling covered call options, the fund limits its opportunity to profit from an increase in the price of the underlying portfolio securities, but continues to bear the risk of a decline in the value of these securities. The fund also risks losing all or part of the cash paid for purchasing put options. You can lose money by investing in the fund.

Message from the Trustees

March 10, 2017

Dear Fellow Shareholder:

In the early weeks of 2017, investor sentiment generally brightened at the prospect of moving beyond the challenges of the past year, when political uncertainty, among other issues, tested global financial markets. As stock markets delivered modest gains, the exuberance that greeted the new year calmed somewhat as investors reconsidered a number of ongoing macroeconomic risks. In addition, many bond investors remained cautious as the potential for inflation increased.

As always, we believe investors should continue to focus on time-tested strategies: maintain a well-diversified portfolio, keep a long-term view, and do not overreact to short-term market fluctuations. To help ensure that your portfolio is aligned with your individual goals, time horizon, and tolerance for risk, we also believe it is a good idea to speak regularly with your financial advisor.

In today's environment, we favor the investment approach practiced at Putnam — active strategies based on fundamental research. Putnam portfolio managers, backed by a network of global analysts, bring years of experience to navigating changing market conditions and pursuing investment opportunities. In the following pages, you will find an overview of your fund's performance for the reporting period ended January 31, 2017, as well as an outlook for the coming months.

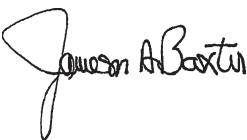
Thank you for investing with Putnam.

Respectfully yours,



Robert L. Reynolds

President and Chief Executive Officer
Putnam Investments



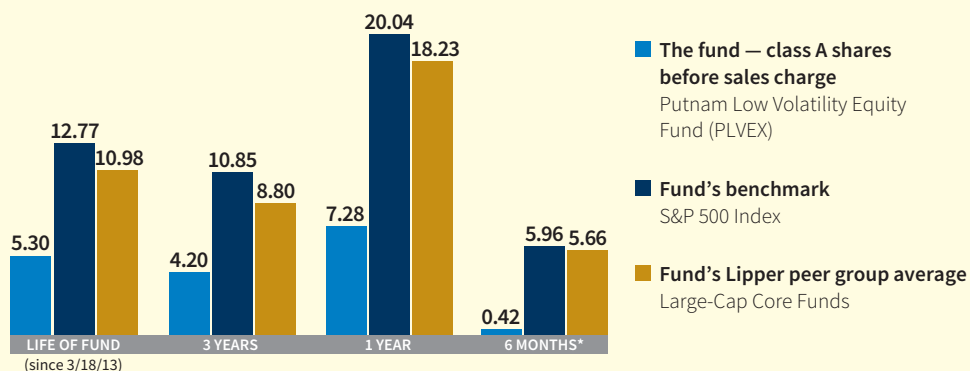
Jameson A. Baxter

Chair, Board of Trustees



Performance history as of 1/31/17

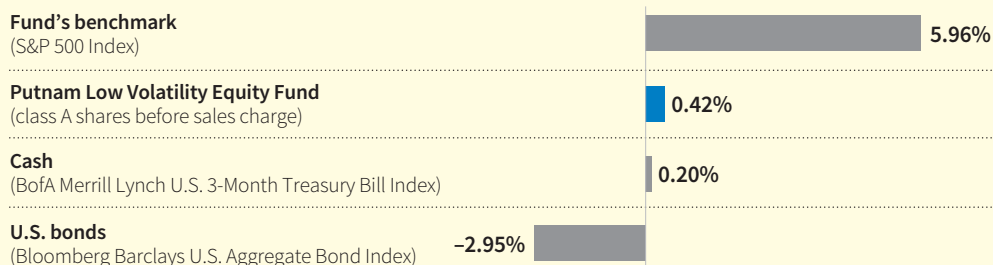
Annualized total return (%) comparison



Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will fluctuate, and you may have a gain or a loss when you sell your shares. Performance of class A shares assumes reinvestment of distributions and does not account for taxes. Fund returns in the bar chart do not reflect a sales charge of 5.75%; had they, returns would have been lower. See below and pages 9–10 for additional performance information. For a portion of the periods, the fund had expense limitations, without which returns would have been lower. To obtain the most recent month-end performance, visit putnam.com.

* Returns for the six-month period are not annualized, but cumulative.

Recent broad market index and fund performance



This comparison shows your fund's performance in the context of broad market indexes for the six months ended 1/31/17. See above and pages 9–10 for additional fund performance information. Index descriptions can be found on page 13.

Interview with your fund's portfolio managers

Robert Schoen and Adrian Chan discuss the investing environment and fund performance for the six-month period ended January 31, 2017, as well as their outlook for the financial markets in the months ahead.



Robert J. Schoen
Portfolio Manager

Rob is Chief Investment Officer, Global Asset Allocation, at Putnam. He holds an M.B.A. from New York University Stern School of Business and a B.A. from Tufts University. Rob joined Putnam in 1997 and has been in the investment industry since 1990.



Adrian H. Chan, CFA
Portfolio Manager

Adrian has an M.B.A. from The Wharton School, University of Pennsylvania, and an A.B. from Harvard University. Adrian has been in the investment industry since he first joined Putnam in 2003.

How would you describe the investment environment for stocks during the six-month reporting period ended January 31, 2017?

ROB It was a generally good environment for stocks, but the period also saw its ups and downs. It began on the heels of the “Brexit” referendum in the United Kingdom, by which voters voiced their desire for Britain to leave the European Union. After a short period of global panic in the immediate aftermath of the Brexit vote, equity investors assimilated the news, discounted it on the basis of solid growth in the U.S. economy, and became buyers of U.S. stocks. Thus, equity markets began to rally in July and continued to advance during the late summer of 2016. As the U.S. presidential campaign began to heat up in the early fall, however, equity investors took a break from buying, and amid the uncertainties of the colorful presidential campaign, the markets basically moved sideways.

The mood changed following the surprise election of Donald Trump in early November, as equity investors reacted quite favorably in anticipation of the new administration’s pro-growth, deregulation, and tax-reform policy initiatives. From the election through the end of the period,

Sector allocations

● Information technology	19.9%
● Financials	16.0
● Health care	13.6
● Consumer discretionary	11.7
● Industrials	10.6
● Consumer staples	9.2
● Energy	5.9
● Utilities	3.6
● Telecommunication services	2.8
● Materials	2.7
● Real estate	2.1
● Cash and net other assets	1.9



Allocations are shown as a percentage of the fund's net assets as of 1/31/17. Cash and net other assets, if any, represent the market value weights of cash, derivatives, short-term securities, and other unclassified assets in the portfolio. Summary information may differ from the portfolio schedule included in the financial statements due to the inclusion of derivative securities, any interest accruals, the exclusion of as-of trades, if any, the use of different classifications of securities for presentation purposes, and rounding. Holdings and allocations may vary over time.

Top 10 holdings

HOLDING (PERCENTAGE OF FUND'S NET ASSETS)	INDUSTRY	OVER/UNDERWEIGHT VS. BENCHMARK
Exxon Mobil Corp. (2.9%)	Oil, gas, and consumable fuels	1.1%
Johnson & Johnson (2.8%)	Pharmaceuticals	1.2%
Alphabet, Inc. (2.7%)	Internet software and services	0.3%
Altria Group, Inc. (2.2%)	Tobacco	1.5%
Cisco Systems, Inc. (2.2%)	Communications equipment	1.4%
Verizon Communications, Inc. (2.1%)	Diversified telecommunication services	1.1%
Pfizer, Inc. (2.1%)	Pharmaceuticals	1.1%
UnitedHealth Group, Inc. (2.0%)	Health-care providers and services	1.2%
Schlumberger, Ltd. (2.0%)	Energy equipment and services	1.4%
Wells Fargo & Co. (1.9%)	Banks	0.6%

This table shows the fund's top 10 holdings by percentage of the fund's net assets as of 1/31/17. Short-term investments and derivatives, if any, are excluded. Holdings may vary over time.

equity markets ran quite strongly, achieving all-time highs. Concurrent with the market's advance, a significant sector rotation also took place as investors digested the possibility of new federal infrastructure spending, which helped propel the prospects of companies in the industrials sector. Expectations for deregulation provided impetus for the financials sector, which helped drive many bank stocks higher.

On the flip side of this rotation, interest-rate-sensitive sectors such as utilities, consumer staples, and real estate all fell out of favor. This was exacerbated by the mid-December decision of the U.S. Federal Reserve to raise its federal funds target rate by 25 basis points, or one quarter of one percent. Furthermore, the Fed signaled that it might continue gradually raising the federal funds rate in an effort to curb inflation if the U.S. economy continued to accelerate.

For the six months ended January 31, 2017, the S&P 500 Index, a broad measure of U.S. stock market performance, advanced 5.96%. The market's sector rotation rewarded the more pro-cyclical segments of the economy, with financial, information technology, and industrial stocks putting up the strongest returns. Meanwhile, the more-defensive sectors of the economy struggled, as reflected by the single-digit negative returns of stocks in the real estate, health-care, and telecommunication services sectors.

How did Putnam Low Volatility Equity Fund perform during the reporting period?

ADRIAN The fund had a small positive return, but — as might be expected during a period when there was not a great deal of volatility in the equity markets — it underperformed the broader market, as measured by the S&P 500 Index. For the six months ended January 31, 2017, the fund returned 0.42%, compared with the 5.96% advance of the S&P 500 benchmark. The most significant factors in the fund's underperformance were stock selection and the index "put" option strategy that we employed

to give the fund downside protection in the event of sharply falling stock prices. The fund's "call-writing" strategy — which earns premiums in exchange for selling potential upside performance — also detracted, albeit to a minimal degree.

While the fund's modest return was well shy of its benchmark, it was within our range of expectations given our investment strategy, which favors low-volatility securities and also seeks to protect against downside risk through the use of its options overlay discipline.

As co-managers, Rob and I run the fund on a sector-neutral basis. This means that we maintain the fund's sector allocations in line with those of the S&P 500 Index. We do not seek to generate excess returns for the fund by overemphasizing or underemphasizing our investments in different economic sectors. Instead, we seek excess performance through the process of individual stock selection, making use of both quantitative and qualitative research and analysis to assemble a portfolio of low-beta, or low-risk, equity securities that we believe will replicate the broad market's performance but with lower volatility.

Our strategy of investing in stocks that tend to exhibit less volatility than the broader market did not prove beneficial to the fund's relative results during the period, nor did the fund's options overlay strategies, which worked against us during a period when the stock market rallied to all-time highs.

Can you provide greater detail on how options strategies detracted from the fund's relative performance?

ROB The fund implements an underlying options strategy in an effort to reduce volatility in the portfolio and smooth out its long-term performance. To execute this strategy, we write (or sell) short-term index "call" options on the S&P 500. In so doing, the fund earns a cash premium, but it forgoes the potential of realizing unusually high returns in the short term, should they occur. This call-writing

strategy is negatively correlated to equity returns, but can detract from relative performance when equity returns rise sharply, as they did in the market rally following the U.S. presidential election in November 2016. In addition, we buy long-term index “put” options for the fund. Puts — which give us the right to sell assets at an agreed-upon price — are expensive to purchase and thus can reduce returns, but they also can provide tail-risk protection and can lower volatility enough to improve the portfolio’s risk-adjusted return. In essence, our dual options strategy allows us to sell some potential upside performance in order to provide greater downside protection in the event of broad losses at the index level.

Unfortunately, the fund’s options strategies proved to be a drag on our results versus the S&P 500 Index during the six-month period. The significant expense of buying downside protection via the put-option strategy weighed heavily on the fund’s return during a period when the market was advancing. At the same time, albeit to a lesser extent, the fund’s call-writing strategy put a lid on realizing the full measure of gains during periods when the market rallied strongly.

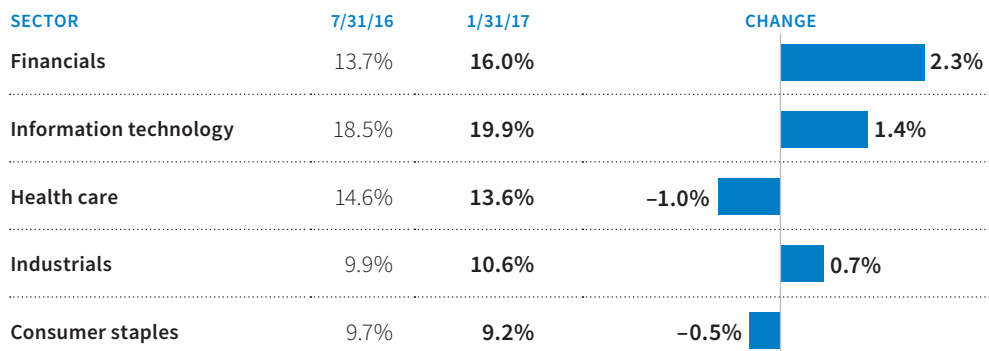
As co-managers, Adrian and I actively manage our options strategies to reflect our current expectations of market volatility, and we adjust our use of these strategies based on anticipated changes with the intention of smoothing out the effects of the market’s inevitable ups and downs over time.

Stock selection also held back relative performance. Which holdings were the most notable detractors?

ADRIAN While low-beta stocks have performed well for the fund in the past, they had a pretty rough go of it during the equity market rally of the most recent six-month period. The largest individual detractor from performance was the fund’s significant overweight position in McKesson Corporation, a longtime holding of the fund. McKesson is the largest U.S. distributor of pharmaceuticals, and its stock price took a big hit in the fall of 2016 after the company reported lower-than-expected earnings.

Not holding positions in Bank of America or JPMorgan Chase also detracted. These two large components of the S&P 500 Index tend to be higher-beta stocks within the financials

Comparison of top sector shifts



This chart shows the fund’s largest allocation shifts, by percentage, over the past six months. Allocations are shown as a percentage of the fund’s net assets. Current period summary information may differ from the portfolio schedule included in the financial statements due to the inclusion of derivative securities, any interest accruals, the exclusion of as-of trades, if any, the use of different classifications of securities for presentation purposes, and rounding. Holdings and allocations may vary over time.

Data in the chart reflect a new classification methodology put into effect on 9/1/16.

sector, which is one reason we decided not to hold them in our low-beta fund. By having neither position, however, the fund missed participating in the strong upside moves of these stocks, which — along with much of the financials sector — performed very well after the presidential election and the expectation of industry deregulation under the new administration.

A large overweight position in Dollar General, the chain of off-price retail stores, was an additional drag on the fund's relative performance. Like McKesson, Dollar General saw its share price drop after reporting weaker-than-expected financial results. Although both of these low-beta stocks performed poorly during the period, they remain core constituents of the portfolio.

Where did the fund have better performance?

ROB As Adrian mentioned, we run the fund on a sector-neutral basis. So while not holding some of the higher-beta names in the financials sector hurt fund performance during the post-election rally, the fund was well represented in the sector and still benefited from the rising tide experienced by financials as a whole. The fund's largest contributor to relative performance was its substantial overweight position in PNC Financial Services, a regional banking company that performed very well during the period. An out-of-benchmark position in Voya Financial, a U.S. investment, retirement, and insurance company, also made a strong contribution to relative performance.

A large overweight position in semiconductor equipment and services supplier Applied Materials was a solid contributor as well. The company benefited from growing demand for its products from makers of smartphones, which was reflected in strong earnings growth and solid gains in its stock price.

Not holding a position in global biopharmaceutical company Bristol-Myers Squibb, a large component of the benchmark index, also contributed to the fund's relative performance.

“A good deal of uncertainty remains as we look further out into 2017.”

Adrian Chan

By not holding a stake in Bristol-Myers Squibb and a handful of other health-care names, we dodged the negative results of the sector shift away from health care that occurred during the period, especially following the surprise result of the U.S. presidential election and its prospects for significant changes to federal health-care policy.

What is your outlook for the equity markets over the next several months?

ADRIAN The post-election rally since last fall created a lot of dispersion in the market, which we believe may help active managers outperform. Underneath that favorable environment, however, I believe there are a number of relevant macroeconomic factors that bear watching. For example, the Fed has signaled its intentions with regard to the likely path of interest rates, so the market will be looking to price-in the possibility of perhaps two to three additional rate hikes during the 2017 calendar year. What effect such rate hikes will have on U.S. economic growth and the strength of the U.S. dollar will attract much attention as the year continues to unfold.

We will be keeping a close eye on upcoming elections in Europe, beginning with the one in France this spring and later in Germany. If the populism theme that seems to have dominated the Brexit vote and the U.S. election carries on in continental Europe, we believe it could have far-reaching implications for the ultimate viability of the eurozone.

We believe that investors in the United States will now be focusing on how successful the new administration will be in accomplishing its campaign promises around deregulation, tax reform, and infrastructure spending. On the potentially more worrisome side, we will be

watching the extent to which U.S. trade policy becomes more protectionist under the Trump administration. On the one hand, efforts to bring more economic activity back to the United States could help domestic growth improve; on the other, there is the worry that such protectionism might trigger other events, like a series of trade wars, which could stall domestic economic growth.

A good deal of uncertainty remains as we look further out into 2017. Although we've recently seen major U.S. stock indexes touch record highs, this bull market has been running for almost eight years now, making it historically one of the longer runs of stock market strength.

Should equity markets begin to roll over, we think the fund and its sector-neutral, low-beta stock selection strategy will be well positioned.

Thank you, gentlemen, for your time and insights today.

The views expressed in this report are exclusively those of Putnam Management and are subject to change. They are not meant as investment advice.

Please note that the holdings discussed in this report may not have been held by the fund for the entire period. Portfolio composition is subject to review in accordance with the fund's investment strategy and may vary in the future. Current and future portfolio holdings are subject to risk.

Your fund's performance

This section shows your fund's performance, price, and distribution information for periods ended January 31, 2017, the end of the first half of its current fiscal year. In accordance with regulatory requirements for mutual funds, we also include performance information as of the most recent calendar quarter-end and expense information taken from the fund's current prospectus.

Performance should always be considered in light of a fund's investment strategy. Data represent past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return and principal value will fluctuate, and you may have a gain or a loss when you sell your shares. Performance information does not reflect any deduction for taxes a shareholder may owe on fund distributions or on the redemption of fund shares. For the most recent month-end performance, please visit the Individual Investors section at putnam.com or call Putnam at 1-800-225-1581. Class Y shares are not available to all investors. See the Terms and Definitions section in this report for definitions of the share classes offered by your fund.

Fund performance Total return for periods ended 1/31/17

	Life of fund	Annual average	3 years	Annual average	1 year	6 months
Class A (3/18/13)						
Before sales charge	22.12%	5.30%	13.14%	4.20%	7.28%	0.42%
After sales charge	15.10	3.70	6.63	2.16	1.11	-5.36
Class B (3/18/13)						
Before CDSC	18.64	4.52	10.56	3.40	6.37	0.05
After CDSC	15.64	3.83	7.56	2.46	1.37	-4.91
Class C (3/18/13)						
Before CDSC	18.57	4.50	10.59	3.41	6.33	0.00
After CDSC	18.57	4.50	10.59	3.41	5.33	-0.99
Class M (3/18/13)						
Before sales charge	19.76	4.77	11.35	3.65	6.71	0.12
After sales charge	15.57	3.81	7.45	2.42	2.97	-3.38
Class Y (3/18/13)						
Net asset value	23.28	5.56	13.94	4.44	7.52	0.55

Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. After-sales-charge returns for class A and M shares reflect the deduction of the maximum 5.75% and 3.50% sales charge, respectively, levied at the time of purchase. Class B share returns after contingent deferred sales charge (CDSC) reflect the applicable CDSC, which is 5% in the first year, declining over time to 1% in the sixth year, and is eliminated thereafter. Class C share returns after CDSC reflect a 1% CDSC for the first year that is eliminated thereafter. Class Y shares have no initial sales charge or CDSC.

For a portion of the periods, the fund had expense limitations, without which returns would have been lower.

Comparative index returns For periods ended 1/31/17

	Life of fund	Annual average	3 years	Annual average	1 year	6 months
S&P 500 Index	59.19%	12.77%	36.20%	10.85%	20.04%	5.96%
Lipper Large-Cap Core Funds category average*	49.87	10.98	28.90	8.80	18.23	5.66

Index and Lipper results should be compared with fund performance before sales charge, before CDSC, or at net asset value.

* Over the 6-month, 1-year, 3-year, and life-of-fund periods ended 1/31/17, there were 897, 872, 792, and 757 funds, respectively, in this Lipper category.

Fund price and distribution information For the six-month period ended 1/31/17

Distributions	Class A	Class B	Class C	Class M	Class Y		
Number	1	1	1	1	1		
Income	\$0.175	\$0.085	\$0.080	\$0.123	\$0.199		
Capital gains	—	—	—	—	—		
Total	\$0.175	\$0.085	\$0.080	\$0.123	\$0.199		
Share value	Before sales charge	After sales charge	Net asset value	Net asset value	Before sales charge	After sales charge	Net asset value
7/31/16	\$10.94	\$11.61	\$10.77	\$10.75	\$10.86	\$11.25	\$10.95
1/31/17	10.81	11.47	10.69	10.67	10.75	11.14	10.81

The classification of distributions, if any, is an estimate. Before-sales-charge share value and current dividend rate for class A and M shares, if applicable, do not take into account any sales charge levied at the time of purchase. After-sales-charge share value, current dividend rate, and current 30-day SEC yield, if applicable, are calculated assuming that the maximum sales charge (5.75% for class A shares and 3.50% for class M shares) was levied at the time of purchase. Final distribution information will appear on your year-end tax forms.

Fund performance as of most recent calendar quarter Total return for periods ended 12/31/16

	Life of fund	Annual average	3 years	Annual average	1 year	6 months
Class A (3/18/13)						
Before sales charge	21.78%	5.34%	10.23%	3.30%	4.43%	1.53%
After sales charge	14.78	3.71	3.89	1.28	-1.57	-4.31
Class B (3/18/13)						
Before CDSC	18.42	4.57	7.81	2.54	3.71	1.18
After CDSC	15.42	3.86	4.86	1.60	-1.29	-3.82
Class C (3/18/13)						
Before CDSC	18.35	4.55	7.74	2.52	3.67	1.13
After CDSC	18.35	4.55	7.74	2.52	2.67	0.13
Class M (3/18/13)						
Before sales charge	19.43	4.80	8.49	2.75	3.86	1.24
After sales charge	15.25	3.82	4.69	1.54	0.23	-2.30
Class Y (3/18/13)						
Net asset value	22.94	5.61	11.01	3.54	4.66	1.66

See the discussion following the fund performance table on page 9 for information about the calculation of fund performance.

Your fund's expenses

As a mutual fund investor, you pay ongoing expenses, such as management fees, distribution fees (12b-1 fees), and other expenses. In the most recent six-month period, your fund's expenses were limited; had expenses not been limited, they would have been higher. Using the following information, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You may also pay one-time transaction expenses, including sales charges (loads) and redemption fees, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial representative.

Expense ratios

	Class A	Class B	Class C	Class M	Class Y
Net expenses for the fiscal year ended 7/31/16 [†]	1.20%	1.95%	1.95%	1.70%	0.95%
Total annual operating expenses for the fiscal year ended 7/31/16	1.32%	2.07%	2.07%	1.82%	1.07%
Annualized expense ratio for the six-month period ended 1/31/17	1.20%	1.95%	1.95%	1.70%	0.95%

Fiscal-year expense information in this table is taken from the most recent prospectus, is subject to change, and may differ from that shown for the annualized expense ratio and in the financial highlights of this report.

Expenses are shown as a percentage of average net assets.

* Reflects Putnam Management's contractual obligation to limit expenses through 11/30/17.

† Restated to reflect current fees resulting from a change to the fund's investor servicing arrangements effective 9/1/16.

Expenses per \$1,000

The following table shows the expenses you would have paid on a \$1,000 investment in each class of the fund from 8/1/16 to 1/31/17. It also shows how much a \$1,000 investment would be worth at the close of the period, assuming *actual returns* and expenses.

	Class A	Class B	Class C	Class M	Class Y
Expenses paid per \$1,000 [†]	\$6.06	\$9.83	\$9.83	\$8.58	\$4.80
Ending value (after expenses)	\$1,004.20	\$1,000.50	\$1,000.00	\$1,001.20	\$1,005.50

* Expenses for each share class are calculated using the fund's annualized expense ratio for each class, which represents the ongoing expenses as a percentage of average net assets for the six months ended 1/31/17. The expense ratio may differ for each share class.

† Expenses are calculated by multiplying the expense ratio by the average account value for the period; then multiplying the result by the number of days in the period; and then dividing that result by the number of days in the year.

Estimate the expenses you paid

To estimate the ongoing expenses you paid for the six months ended 1/31/17, use the following calculation method. To find the value of your investment on 8/1/16, call Putnam at 1-800-225-1581.

How to calculate the expenses you paid

Value of your investment on 8/1/16 \div \$1,000 \times Expenses paid per \$1,000 = Total expenses paid

Example Based on a \$10,000 investment in class A shares of your fund.

\$10,000 \div \$1,000 \times \$6.06 (see preceding table) = \$60.60

Compare expenses using the SEC's method

The Securities and Exchange Commission (SEC) has established guidelines to help investors assess fund expenses. Per these guidelines, the following table shows your fund's expenses based on a \$1,000 investment, assuming a *hypothetical 5% annualized return*. You can use this information to compare the ongoing expenses (but not transaction expenses or total costs) of investing in the fund with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

	Class A	Class B	Class C	Class M	Class Y
Expenses paid per \$1,000*†	\$6.11	\$9.91	\$9.91	\$8.64	\$4.84
Ending value (after expenses)	\$1,019.16	\$1,015.38	\$1,015.38	\$1,016.64	\$1,020.42

* Expenses for each share class are calculated using the fund's annualized expense ratio for each class, which represents the ongoing expenses as a percentage of average net assets for the six months ended 1/31/17. The expense ratio may differ for each share class.

† Expenses are calculated by multiplying the expense ratio by the average account value for the six-month period; then multiplying the result by the number of days in the six-month period; and then dividing that result by the number of days in the year.

Terms and definitions

Important terms

Total return shows how the value of the fund's shares changed over time, assuming you held the shares through the entire period and reinvested all distributions in the fund.

Before sales charge, or net asset value, is the price, or value, of one share of a mutual fund, without a sales charge. Before-sales-charge figures fluctuate with market conditions, and are calculated by dividing the net assets of each class of shares by the number of outstanding shares in the class.

After sales charge is the price of a mutual fund share plus the maximum sales charge levied at the time of purchase. After-sales-charge performance figures shown here assume the 5.75% maximum sales charge for class A shares and 3.50% for class M shares.

Contingent deferred sales charge (CDSC) is generally a charge applied at the time of the redemption of class B or C shares and assumes redemption at the end of the period. Your fund's class B CDSC declines over time from a 5% maximum during the first year to 1% during the sixth year. After the sixth year, the CDSC no longer applies. The CDSC for class C shares is 1% for one year after purchase.

Share classes

Class A shares are generally subject to an initial sales charge and no CDSC (except on certain redemptions of shares bought without an initial sales charge).

Class B shares are not subject to an initial sales charge and may be subject to a CDSC.

Class C shares are not subject to an initial sales charge and are subject to a CDSC only if the shares are redeemed during the first year.

Class M shares have a lower initial sales charge and a higher 12b-1 fee than class A shares and no CDSC.

Class Y shares are not subject to an initial sales charge or CDSC, and carry no 12b-1 fee. They are generally only available to corporate and institutional clients and clients in other approved programs.

Comparative indexes

Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index of U.S. investment-grade fixed-income securities.

BofA Merrill Lynch U.S. 3-Month Treasury Bill Index is an unmanaged index that seeks to measure the performance of U.S. Treasury bills available in the marketplace.

S&P 500 Index is an unmanaged index of common stock performance.

Indexes assume reinvestment of all distributions and do not account for fees. Securities and performance of a fund and an index will differ. You cannot invest directly in an index.

Lipper is a third-party industry-ranking entity that ranks mutual funds. Its rankings do not reflect sales charges. Lipper rankings are based on total return at net asset value relative to other funds that have similar current investment styles or objectives as determined by Lipper. Lipper may change a fund's category assignment at its discretion. Lipper category averages reflect performance trends for funds within a category.

Other information for shareholders

Important notice regarding delivery of shareholder documents

In accordance with Securities and Exchange Commission (SEC) regulations, Putnam sends a single copy of annual and semiannual shareholder reports, prospectuses, and proxy statements to Putnam shareholders who share the same address, unless a shareholder requests otherwise. If you prefer to receive your own copy of these documents, please call Putnam at 1-800-225-1581, and Putnam will begin sending individual copies within 30 days.

Proxy voting

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2016, are available in the Individual Investors section of putnam.com, and on the SEC's website, www.sec.gov. If you have questions about finding forms on the SEC's website, you may call the SEC at 1-800-SEC-0330. You may also obtain the Putnam funds' proxy voting guidelines and procedures at no charge by calling Putnam's Shareholder Services at 1-800-225-1581.

Fund portfolio holdings

The fund will file a complete schedule of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Shareholders may obtain the fund's Form N-Q on the SEC's website at www.sec.gov. In addition, the fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. You may call the SEC at 1-800-SEC-0330 for information about the SEC's website or the operation of the Public Reference Room.

Trustee and employee fund ownership

Putnam employees and members of the Board of Trustees place their faith, confidence, and, most importantly, investment dollars in Putnam mutual funds. As of January 31, 2017, Putnam employees had approximately \$465,000,000 and the Trustees had approximately \$135,000,000 invested in Putnam mutual funds. These amounts include investments by the Trustees' and employees' immediate family members as well as investments through retirement and deferred compensation plans.

Financial statements

These sections of the report, as well as the accompanying Notes, constitute the fund's financial statements.

The fund's portfolio lists all the fund's investments and their values as of the last day of the reporting period. Holdings are organized by asset type and industry sector, country, or state to show areas of concentration and diversification.

Statement of assets and liabilities shows how the fund's net assets and share price are determined. All investment and non-investment assets are added together. Any unpaid expenses and other liabilities are subtracted from this total. The result is divided by the number of shares to determine the net asset value per share, which is calculated separately for each class of shares. (For funds with preferred shares, the amount subtracted from total assets includes the liquidation preference of preferred shares.)

Statement of operations shows the fund's net investment gain or loss. This is done by first adding up all the fund's earnings — from dividends and interest income — and subtracting its operating expenses to determine net investment income (or loss). Then, any net gain or loss the fund realized on the sales of its holdings — as well as any unrealized gains or losses over the period — is added to

or subtracted from the net investment result to determine the fund's net gain or loss for the fiscal period.

Statement of changes in net assets shows how the fund's net assets were affected by the fund's net investment gain or loss, by distributions to shareholders, and by changes in the number of the fund's shares. It lists distributions and their sources (net investment income or realized capital gains) over the current reporting period and the most recent fiscal year-end. The distributions listed here may not match the sources listed in the Statement of operations because the distributions are determined on a tax basis and may be paid in a different period from the one in which they were earned. Dividend sources are estimated at the time of declaration. Actual results may vary. Any non-taxable return of capital cannot be determined until final tax calculations are completed after the end of the fund's fiscal year.

Financial highlights provide an overview of the fund's investment results, per-share distributions, expense ratios, net investment income ratios, and portfolio turnover in one summary table, reflecting the five most recent reporting periods. In a semiannual report, the highlights table also includes the current reporting period.

The fund's portfolio 1/31/17 (Unaudited)

COMMON STOCKS (98.4%)*	Shares	Value
Aerospace and defense (4.9%)		
BWX Technologies, Inc.	1,433	\$59,455
General Dynamics Corp.	1,647	298,239
L3 Technologies, Inc.	530	84,106
Northrop Grumman Corp.	2,164	495,729
Raytheon Co.	3,465	499,514
		1,437,043
Air freight and logistics (1.8%)		
United Parcel Service, Inc. Class B	4,776	521,205
		521,205
Airlines (0.5%)		
Southwest Airlines Co.	2,573	134,594
		134,594
Banks (5.8%)		
Associated Banc-Corp.	931	23,554
PNC Financial Services Group, Inc. (The)	4,307	518,821
Popular, Inc. (Puerto Rico)	1,797	79,841
SunTrust Banks, Inc.	3,268	185,688
TCF Financial Corp.	2,993	51,929
U.S. Bancorp	4,073	214,443
Wells Fargo & Co.	9,899	557,611
Western Alliance Bancorp [†]	1,009	49,824
		1,681,711
Beverages (0.2%)		
Constellation Brands, Inc. Class A	230	34,445
PepsiCo, Inc.	351	36,427
		70,872
Capital markets (1.3%)		
Bank of New York Mellon Corp. (The)	3,657	163,578
Intercontinental Exchange, Inc.	2,981	173,971
MSCI, Inc.	453	37,486
		375,035
Chemicals (1.0%)		
Ashland Global Holdings, Inc.	454	54,040
Scotts Miracle-Gro Co. (The) Class A	541	49,756
Sherwin-Williams Co. (The)	634	192,616
		296,412
Commercial services and supplies (1.3%)		
Waste Management, Inc.	5,504	382,528
		382,528
Communications equipment (3.6%)		
Cisco Systems, Inc.	20,439	627,886
Juniper Networks, Inc.	12,074	323,342
Motorola Solutions, Inc.	1,186	95,722
		1,046,950
Consumer finance (1.9%)		
Ally Financial, Inc.	4,218	89,084
Capital One Financial Corp.	2,440	213,232
Discover Financial Services	3,433	237,838
		540,154

COMMON STOCKS (98.4%)* cont.	Shares	Value
Containers and packaging (1.5%)		
Avery Dennison Corp.	2,465	\$179,994
Bemis Co., Inc.	1,267	61,728
Berry Plastics Group, Inc. †	1,261	64,349
Crown Holdings, Inc. †	1,358	73,563
Sonoco Products Co.	1,064	58,467
		438,101
Distributors (0.2%)		
Pool Corp.	430	45,391
		45,391
Diversified consumer services (0.3%)		
ServiceMaster Global Holdings, Inc. †	2,473	91,452
		91,452
Diversified financial services (1.6%)		
Berkshire Hathaway, Inc. Class B †	1,748	286,917
Voya Financial, Inc.	4,724	189,999
		476,916
Diversified telecommunication services (2.8%)		
AT&T, Inc.	4,785	201,736
Verizon Communications, Inc.	12,679	621,398
		823,134
Electric utilities (3.0%)		
American Electric Power Co., Inc.	2,868	183,724
Eversource Energy	1,243	68,763
Great Plains Energy, Inc.	2,116	58,296
PG&E Corp.	4,514	279,371
Southern Co. (The)	4,682	231,431
Westar Energy, Inc.	1,150	62,894
		884,479
Electronic equipment, instruments, and components (0.2%)		
Fitbit, Inc. Class A †§	7,878	47,347
		47,347
Energy equipment and services (2.5%)		
Dril-Quip, Inc. †	415	25,813
Schlumberger, Ltd.	6,825	571,321
TechnipFMC PLC (United Kingdom) †	3,538	118,948
		716,082
Equity real estate investment trusts (REITs) (2.2%)		
Brandywine Realty Trust	1,757	28,288
Corporate Office Properties Trust	998	31,756
Equity Commonwealth †	1,484	45,767
Equity Lifestyle Properties, Inc.	466	34,456
EquityOne, Inc.	1,081	33,716
Equity Residential Trust	2,240	136,125
Highwoods Properties, Inc.	907	46,629
Liberty Property Trust	1,090	41,845
Macerich Co. (The)	853	58,593
Mid-America Apartment Communities, Inc.	326	30,954
Public Storage	125	26,875
Regency Centers Corp.	885	61,711

COMMON STOCKS (98.4%)* cont.	Shares	Value
Equity real estate investment trusts (REITs) cont.		
Retail Properties of America, Inc. Class A	1,513	\$22,650
Weingarten Realty Investors	760	27,079
		626,444
Food and staples retail (2.3%)		
CVS Health Corp.	4,381	345,267
Sysco Corp.	6,019	315,757
US Foods Holding Corp. †	588	15,994
		677,018
Food products (2.2%)		
General Mills, Inc.	4,917	307,214
Hershey Co. (The)	3,278	345,731
		652,945
Health-care equipment and supplies (1.4%)		
C.R. Bard, Inc.	540	128,158
Intuitive Surgical, Inc. †	386	267,378
		395,536
Health-care providers and services (4.2%)		
AmerisourceBergen Corp.	1,555	135,720
DaVita Inc. †	2,815	179,456
McKesson Corp.	2,273	316,288
UnitedHealth Group, Inc.	3,659	593,124
		1,224,588
Hotels, restaurants, and leisure (2.2%)		
Aramark	960	32,486
Hyatt Hotels Corp. Class A †	1,005	54,984
McDonald's Corp.	4,237	519,329
Vail Resorts, Inc.	130	22,300
		629,099
Household products (2.1%)		
Church & Dwight Co., Inc.	1,466	66,293
Clorox Co. (The)	261	31,320
Colgate-Palmolive Co.	5,011	323,610
Kimberly-Clark Corp.	395	47,846
Procter & Gamble Co. (The)	1,619	141,824
		610,893
Industrial conglomerates (1.6%)		
Carlisle Cos., Inc.	421	45,935
Honeywell International, Inc.	3,648	431,631
		477,566
Insurance (3.4%)		
Aflac, Inc.	2,045	143,130
Alleghany Corp. †	59	36,083
Allstate Corp. (The)	756	56,859
American Financial Group, Inc.	474	40,845
Aspen Insurance Holdings, Ltd.	1,090	61,476
Assured Guaranty, Ltd.	1,087	42,295
Everest Re Group, Ltd.	472	103,807
Hanover Insurance Group, Inc. (The)	280	23,503
Marsh & McLennan Cos., Inc.	3,216	218,752

COMMON STOCKS (98.4%)* cont.	Shares	Value
Insurance cont.		
Reinsurance Group of America, Inc.	606	\$76,035
Travelers Cos., Inc. (The)	1,724	203,053
		1,005,838
Internet software and services (4.4%)		
Alphabet, Inc. Class A †	950	779,181
CommerceHub, Inc. Ser. C †	1,772	25,836
eBay, Inc. †	14,938	475,477
		1,280,494
IT Services (6.1%)		
Amdocs, Ltd.	1,979	116,187
Automatic Data Processing, Inc.	5,053	510,302
Broadridge Financial Solutions, Inc.	1,442	95,936
CoreLogic, Inc. †	1,231	43,417
Fiserv, Inc. †	2,587	277,921
Genpact, Ltd. †	1,847	45,584
Paychex, Inc.	6,766	407,922
Vantiv, Inc. Class A †	4,527	281,760
		1,779,029
Leisure products (0.6%)		
Hasbro, Inc.	2,293	189,195
		189,195
Life sciences tools and services (2.3%)		
Agilent Technologies, Inc.	2,160	105,775
Charles River Laboratories International, Inc. †	431	34,825
Thermo Fisher Scientific, Inc.	3,191	486,276
VWR Corp. †	852	22,075
Waters Corp. †	208	29,463
		678,414
Machinery (0.5%)		
Allison Transmission Holdings, Inc.	3,847	134,568
		134,568
Media (3.4%)		
CBS Corp. Class B (non-voting shares)	3,246	209,335
Comcast Corp. Class A	3,061	230,861
Interpublic Group of Cos., Inc. (The)	5,844	137,509
John Wiley & Sons, Inc. Class A	564	31,076
Madison Square Garden Co. (The) Class A †	135	23,715
News Corp. Class B	1,533	19,392
Omnicom Group, Inc.	178	15,246
Twenty-First Century Fox, Inc.	9,961	312,576
		979,710
Metals and mining (0.2%)		
Reliance Steel & Aluminum Co.	826	65,791
		65,791
Mortgage real estate investment trusts (REITs) (2.1%)		
AGNC Investment Corp.	13,835	258,299
Annaly Capital Management, Inc.	12,668	129,467
Chimera Investment Corp.	5,636	99,363

COMMON STOCKS (98.4%)* <i>cont.</i>	Shares	Value
Mortgage real estate investment trusts (REITs) <i>cont.</i>		
MFA Financial, Inc.	7,354	\$58,023
Two Harbors Investment Corp.	7,330	64,284
		609,436
Multi-utilities (0.2%)		
NiSource, Inc.	3,146	70,376
		70,376
Multiline retail (1.2%)		
Dollar General Corp.	4,761	351,457
		351,457
Oil, gas, and consumable fuels (3.5%)		
Exxon Mobil Corp.	10,218	857,188
Phillips 66	1,521	124,144
World Fuel Services Corp.	911	40,521
		1,021,853
Personal products (0.1%)		
Coty, Inc. Class A	1,116	21,427
		21,427
Pharmaceuticals (5.8%)		
Johnson & Johnson	7,081	801,919
Merck & Co., Inc.	4,218	261,474
Pfizer, Inc.	19,572	621,020
		1,684,413
Semiconductors and semiconductor equipment (2.7%)		
Applied Materials, Inc.	12,527	429,050
Texas Instruments, Inc.	4,703	355,265
		784,315
Software (1.6%)		
Intuit, Inc.	1,428	169,332
Microsoft Corp.	2,705	174,878
Synopsys, Inc.†	1,926	121,126
		465,336
Specialty retail (3.6%)		
AutoZone, Inc. †	462	334,941
Home Depot, Inc. (The)	510	70,166
Lowe's Cos., Inc.	5,395	394,267
TJX Cos., Inc. (The)	3,174	237,796
		1,037,170
Technology hardware, storage, and peripherals (1.3%)		
Apple, Inc.	3,086	374,486
		374,486
Textiles, apparel, and luxury goods (0.3%)		
Carter's, Inc.	548	45,895
PVH Corp.	459	43,059
		88,954
Tobacco (2.2%)		
Altria Group, Inc.	8,865	631,011
Philip Morris International, Inc.	155	14,900
		645,911

COMMON STOCKS (98.4%)* cont.	Shares	Value
Water utilities (0.3%)		
American Water Works Co., Inc.	1,199	\$88,055
		88,055
Total common stocks (cost \$24,945,931)		\$28,659,723

PURCHASED OPTIONS OUTSTANDING (1.3%)*	Expiration date/strike price	Contract amount	Value
SPDR S&P 500 ETF Trust (Put)	Jan-18/\$195.00	\$17,814	\$94,394
SPDR S&P 500 ETF Trust (Put)	Dec-17/195.00	20,895	100,579
SPDR S&P 500 ETF Trust (Put)	Nov-17/186.00	22,124	63,940
SPDR S&P 500 ETF Trust (Put)	Oct-17/183.00	20,864	48,673
SPDR S&P 500 ETF Trust (Put)	Sep-17/180.00	20,864	36,807
SPDR S&P 500 ETF Trust (Put)	Aug-17/183.00	20,864	32,837
Total purchased options outstanding (cost \$747,525)			\$377,230

MORTGAGE-BACKED SECURITIES (0.3%)*	Principal amount	Value
Agency collateralized mortgage obligations (0.3%)		
Federal Home Loan Mortgage Corporation Ser. 2988, Class TY 5.500%, 06/15/25 [†]	\$69,253	\$76,500
Total mortgage-backed securities (cost \$76,500)		\$76,500

SHORT-TERM INVESTMENTS (1.3%)*	Shares	Value
Putnam Cash Collateral Pool, LLC 0.94% [‡]	43,750	\$43,750
Putnam Short Term Investment Fund 0.74% [‡]	18,826	18,826
State Street Institutional U.S. Government Money Market Fund, Premier Class 0.47% [‡]	330,000	330,000
Total short-term investments (cost \$392,576)		\$392,576

TOTAL INVESTMENTS		Value
Total investments (cost \$26,162,532)		\$29,506,029

Key to holding's abbreviations

ETF Exchange Traded Fund
SPDR S&P Depository Receipts

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 August 1, 2016 through January 31, 2017 (the reporting period). Within the following notes to the portfolio, references to "ASC 820" represent Accounting Standards Codification 820 *Fair Value Measurements and Disclosures* and references to "OTC", if any, represent over-the-counter.

* Percentages indicated are based on net assets of \$29,121,856.

† This security is non-income-producing.

‡ Affiliated company. See Notes 1 and 5 to the financial statements regarding securities lending. The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period.

§ This security was pledged, or purchased with cash that was pledged, to the fund for collateral on certain derivative contracts (Note 1).

¶ Affiliated company (Notes 1 and 5). The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period.

P This security was pledged, or purchased with cash that was pledged, to the fund for collateral on certain derivative contracts. The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period (Note 1).

S Security on loan, in part or in entirety, at the close of the reporting period (Note 1).

At the close of the reporting period, the fund maintained liquid assets totaling \$2,639 to cover certain derivative contracts.

WRITTEN OPTIONS OUTSTANDING at 1/31/17 (premiums \$4,711) (Unaudited)

	Expiration date/strike price	Contract amount	Value
SPDR S&P 500 ETF Trust (Call)	Feb-17/\$235.00	\$18,845	\$2,639
Total			\$2,639

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:

Investments in securities:	Valuation inputs		
	Level 1	Level 2	Level 3
Common stocks*:			
Consumer discretionary	\$3,412,428	\$—	\$—
Consumer staples	2,679,066	—	—
Energy	1,737,935	—	—
Financials	4,689,090	—	—
Health care	3,982,951	—	—
Industrials	3,087,504	—	—
Information technology	5,777,957	—	—
Materials	800,304	—	—
Real estate	626,444	—	—
Telecommunication services	823,134	—	—
Utilities	1,042,910	—	—
Total common stocks	28,659,723	—	—
Purchased options outstanding	—	377,230	—
U.S. government and agency mortgage obligations	—	76,500	—
Short-term investments	348,826	43,750	—
Totals by level	\$29,008,549	\$497,480	\$—

Other financial instruments:	Valuation inputs		
	Level 1	Level 2	Level 3
Written options outstanding	\$—	\$(2,639)	\$—
Totals by level	\$—	\$(2,639)	\$—

* Common stock classifications are presented at the sector level, which may differ from the fund's portfolio presentation. During the reporting period, transfers within the fair value hierarchy, if any, did not represent, in the aggregate, more than 1% of the fund's net assets measured as of the end of the period. Transfers are accounted for using the end of period pricing valuation method.

The accompanying notes are an integral part of these financial statements.

Statement of assets and liabilities 1/31/17 (Unaudited)

ASSETS

Investment in securities, at value, including \$42,070 of securities on loan (Note 1):	
Unaffiliated issuers (identified cost \$26,099,956)	\$29,443,453
Affiliated issuers (identified cost \$62,576) (Notes 1 and 5)	62,576
Dividends, interest and other receivables	39,037
Receivable for shares of the fund sold	6,526
Receivable for investments sold	211,024
Prepaid assets	50,617
Total assets	29,813,233

LIABILITIES

Payable to custodian	58,565
Payable for shares of the fund repurchased	115,951
Payable for compensation of Manager (Note 2)	596
Payable for custodian fees (Note 2)	11,477
Payable for investor servicing fees (Note 2)	6,773
Payable for Trustee compensation and expenses (Note 2)	2,427
Payable for administrative services (Note 2)	330
Payable for distribution fees (Note 2)	3,236
Written options outstanding, at value (premiums \$4,711) (Notes 1 and 3)	2,639
Collateral on securities loaned, at value (Note 1)	43,750
Collateral on certain derivative contracts, at value (Note 1)	406,500
Other accrued expenses	39,133
Total liabilities	691,377
Net assets	\$29,121,856

REPRESENTED BY

Paid-in capital (Unlimited shares authorized) (Notes 1, 4 and 5)	\$28,597,207
Distributions in excess of net investment income (Note 1)	(368,829)
Accumulated net realized loss on investments (Note 1)	(2,452,091)
Net unrealized appreciation of investments	3,345,569
Total — Representing net assets applicable to capital shares outstanding	\$29,121,856

COMPUTATION OF NET ASSET VALUE AND OFFERING PRICE

Net asset value and redemption price per class A share (\$6,454,667 divided by 597,255 shares)	\$10.81
Offering price per class A share (100/94.25 of \$10.81)*	\$11.47
Net asset value and offering price per class B share (\$694,639 divided by 64,993 shares)**	\$10.69
Net asset value and offering price per class C share (\$1,141,725 divided by 106,968 shares)**	\$10.67
Net asset value and redemption price per class M share (\$421,618 divided by 39,221 shares)	\$10.75
Offering price per class M share (100/96.50 of \$10.75)*	\$11.14
Net asset value, offering price and redemption price per class Y share (\$20,409,207 divided by 1,887,930 shares)	\$10.81

*On single retail sales of less than \$50,000. On sales of \$50,000 or more the offering price is reduced.

**Redemption price per share is equal to net asset value less any applicable contingent deferred sales charge.

The accompanying notes are an integral part of these financial statements.

Statement of operations Six months ended 1/31/17 (Unaudited)

INVESTMENT INCOME	
Dividends (net of foreign tax of \$69)	\$416,355
Interest (including interest income of \$547 from investments in affiliated issuers) (Note 5)	600
Securities lending (net of expenses) (Note 1 and 5)	1,896
Total investment income	418,851
EXPENSES	
Compensation of Manager (Note 2)	114,761
Investor servicing fees (Note 2)	24,758
Custodian fees (Note 2)	9,415
Trustee compensation and expenses (Note 2)	915
Distribution fees (Note 2)	20,774
Administrative services (Note 2)	615
Auditing and tax fees	20,019
Blue sky expense	30,448
Other	12,616
Fees waived and reimbursed by Manager (Note 2)	(38,616)
Total expenses	195,705
Expense reduction (Note 2)	(16)
Net expenses	195,689
Net investment income	223,162
Net realized loss on investments (Notes 1 and 3)	(58,229)
Net realized loss on written options (Notes 1 and 3)	(25,925)
Net unrealized depreciation of investments and written options during the period	(108,150)
Net loss on investments	(192,304)
Net increase in net assets resulting from operations	\$30,858

The accompanying notes are an integral part of these financial statements.

Statement of changes in net assets

DECREASE IN NET ASSETS	Six months ended 1/31/17*	Year ended 7/31/16
Operations		
Net investment income	\$223,162	\$821,468
Net realized loss on investments	(84,154)	(966,828)
Net unrealized depreciation of investments	(108,150)	(444,700)
Net increase (decrease) in net assets resulting from operations	30,858	(590,060)
Distributions to shareholders (Note 1):		
From ordinary income		
Net investment income		
Class A	(114,426)	(92,157)
Class B	(5,398)	(11,307)
Class C	(8,629)	(13,718)
Class M	(4,812)	(1,963)
Class Y	(458,725)	(1,007,059)
Net realized short-term gain on investments		
Class A	—	(69,818)
Class B	—	(11,609)
Class C	—	(13,618)
Class M	—	(2,040)
Class Y	—	(690,007)
From net realized long-term gain on investments		
Class A	—	(56,635)
Class B	—	(9,417)
Class C	—	(11,047)
Class M	—	(1,654)
Class Y	—	(559,713)
Decrease from capital share transactions (Note 4)	(10,253,940)	(8,126,505)
Total decrease in net assets	(10,815,072)	(11,268,327)

NET ASSETS

Beginning of period	39,936,928	51,205,255
End of period (including distributions in excess of net investment income of \$368,829 and \$1, respectively)	\$29,121,856	\$39,936,928

*Unaudited.

The accompanying notes are an integral part of these financial statements.

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Financial highlights (For a common share outstanding throughout the period)

Period ended	INVESTMENT OPERATIONS				LESS DISTRIBUTIONS					RATIOS AND SUPPLEMENTAL DATA			
	Net asset value, beginning of period	Net investment income (loss) ^a	Net realized and unrealized gain (loss) on investments	Total from investment operations	From net investment income	From net realized gain on investments	Total distributions	Net asset value, end of period	Total return at net asset value (%) ^b	Net assets, end of period (in thousands)	Ratio of expenses to average net assets (%) ^{c,d}	Ratio of net investment income (loss) to average net assets (%) ^d	Portfolio turnover (%)
Class A													
January 31, 2017**	\$10.94	.06	(.01)	.05	(.18)	—	(.18)	\$10.81	.42*	\$6,455	.61*	.54*	7*
July 31, 2016	11.58	.16	(.24)	(.08)	(.24)	(.32)	(.56)	10.94	(.55)	7,314	1.20	1.50	135
July 31, 2015	11.17	.12	.76	.88	(.03)	(.44)	(.47)	11.58	7.91	4,783	1.20	1.00	123
July 31, 2014	10.31	.10	.92	1.02	(.16)	—	(.16)	11.17	9.91	2,388	1.20	.89	91
July 31, 2013†	10.00	.02	.29	.31	—	—	—	10.31	3.10*	3,776	.45*	.23*	17*
Class B													
January 31, 2017**	\$10.77	.02	(.01)	.01	(.09)	—	(.09)	\$10.69	.05*	\$695	.98*	.16*	7*
July 31, 2016	11.43	.09	(.26)	(.17)	(.17)	(.32)	(.49)	10.77	(1.31)	760	1.95	.85	135
July 31, 2015	11.08	.02	.77	.79	—	(.44)	(.44)	11.43	7.13	648	1.95	.20	123
July 31, 2014	10.28	.01	.92	.93	(.13)	—	(.13)	11.08	9.11	264	1.95	.08	91
July 31, 2013†	10.00	(.01) ^e	.29	.28	—	—	—	10.28	2.80*	77	.73*	(.14)* ^e	17*
Class C													
January 31, 2017**	\$10.75	.02	(.02)	—	(.08)	—	(.08)	\$10.67	— ^g	\$1,142	.98*	.16*	7*
July 31, 2016	11.41	.07	(.23)	(.16)	(.18)	(.32)	(.50)	10.75	(1.26)	1,525	1.95	.71	135
July 31, 2015	11.07	.03	.75	.78	—	(.44)	(.44)	11.41	7.04	642	1.95	.24	123
July 31, 2014	10.28	(.02)	.95	.93	(.14)	—	(.14)	11.07	9.12	299	1.95	(.13)	91
July 31, 2013†	10.00	— ^f	.28	.28	—	—	—	10.28	2.80*	65	.73*	.01*	17*
Class M													
January 31, 2017**	\$10.86	.03	(.02)	.01	(.12)	—	(.12)	\$10.75	.12*	\$422	.86*	.28*	7*
July 31, 2016	11.48	.10	(.23)	(.13)	(.17)	(.32)	(.49)	10.86	(.97)	428	1.70	.99	135
July 31, 2015	11.12	.06	.76	.82	(.02)	(.44)	(.46)	11.48	7.35	139	1.70	.52	123
July 31, 2014	10.29	.04	.92	.96	(.13)	—	(.13)	11.12	9.34	157	1.70	.33	91
July 31, 2013†	10.00	— ^f	.29	.29	—	—	—	10.29	2.90*	20	.63*	.02*	17*
Class Y													
January 31, 2017**	\$10.95	.07	(.01)	.06	(.20)	—	(.20)	\$10.81	.55*	\$20,409	.48*	.67*	7*
July 31, 2016	11.59	.21	(.27)	(.06)	(.26)	(.32)	(.58)	10.95	(.32)	29,910	.95	1.92	135
July 31, 2015	11.19	.15	.76	.91	(.07)	(.44)	(.51)	11.59	8.19	44,993	.95	1.27	123
July 31, 2014	10.32	.12	.92	1.04	(.17)	—	(.17)	11.19	10.16	24,539	.95	1.15	91
July 31, 2013†	10.00	.04	.28	.32	—	—	—	10.32	3.20*	25,991	.35*	.37*	17*

See notes to financial highlights at the end of this section.

The accompanying notes are an integral part of these financial statements.

Financial highlights *cont.*

* Not annualized.

** Unaudited.

† For the period March 18, 2013 (commencement of operations) to July 31, 2013.

^a Per share net investment income (loss) has been determined on the basis of the weighted average number of shares outstanding during the period.

^b Total return assumes dividend reinvestment and does not reflect the effect of sales charges.

^c Includes amounts paid through expense offset and/or brokerage/service arrangements, if any (Note 2). Also excludes acquired fund fees and expenses, if any.

^d Reflects an involuntary contractual expense limitation in effect during the period. As a result of such limitation, the expenses of each class reflect a reduction of the following amount (Note 2):

	Percentage of average net assets
January 31, 2017	0.11%
July 31, 2016	0.21
July 31, 2015	0.20
July 31, 2014	0.53
July 31, 2013	0.58

^e The net investment income ratio and per share amount shown for the period ended may not correspond with the expected class specific differences for the period due to the timing of subscriptions into the class.

^f Amount represents less than \$0.01 per share.

^g Amount represents less than 0.01%

The accompanying notes are an integral part of these financial statements.

Notes to financial statements 1/31/17 (Unaudited)

Within the following Notes to financial statements, references to “State Street” represent State Street Bank and Trust Company, references to “the SEC” represent the Securities and Exchange Commission, references to “Putnam Management” represent Putnam Investment Management, LLC, the fund’s manager, an indirect wholly-owned subsidiary of Putnam Investments, LLC and references to “OTC”, if any, represent over-the-counter. Unless otherwise noted, the “reporting period” represents the period from August 1, 2016 through January 31, 2017.

Putnam Low Volatility Equity Fund (the fund) is a diversified series of Putnam Funds Trust (the Trust), a Massachusetts business trust registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The goal of the fund is to seek a total return comparable to that of the U.S. equity markets, but with lower volatility, over a market cycle (generally at least three years or more). The fund invests mainly in common stocks of large U.S. companies across all sectors. Under normal circumstances, the fund invests at least 80% of its net assets in equity investments. This policy may be changed only after 60 days’ notice to shareholders. The fund expects to allocate its investments across sectors so that the fund’s portfolio approximately reflects sector weightings across the broader equity markets. Within each sector, the fund generally focuses its investments on those stocks that Putnam Management believes are likely to have lower sensitivity to broader market or sector movements. Putnam Management refers to these stocks as “low beta” stocks. Beta is a measurement of a stock’s anticipated sensitivity to price movements in a particular market, as measured by a market or sector index. A stock with a beta higher than 1.0 is generally expected to be more volatile than the index, and a stock with a beta of less than 1.0 should be less volatile than the index and may be expected to rise and fall in price more slowly than the market or sector. Putnam Management generally emphasizes investments within each sector in low beta stocks (measured relative to the S&P 500 Index) because Putnam Management believes that, over a full market cycle (generally at least three years or more), a portfolio of low beta stocks may be able to earn investment returns comparable to market returns, but with less volatility than the market, thus earning an attractive risk-adjusted return relative to the market. The fund intends to write (sell) call options, generally on equity indices but also on individual portfolio securities. The fund sells call options to earn premium income. Selling call options may also reduce the volatility of the fund’s portfolio. The fund intends to buy put options, generally on equity indices but also on individual portfolio securities. The fund buys put options to reduce the volatility of the fund’s portfolio by protecting the fund from the impact of significant market declines. In addition to call options and put options, the fund may use derivatives, such as futures, options, warrants and swap contracts, for hedging purposes and to adjust the return and volatility characteristics of the fund’s investments. Putnam Management may also make other investments, including in derivatives, intended to protect the fund from market volatility, or to take advantage of the potential for returns from instruments that perform well during periods of market volatility. Putnam Management may consider, among other factors, a company’s valuation, financial strength, growth potential, competitive position in its industry, projected future earnings, cash flows and dividends, as well as general market conditions when deciding whether to buy or sell investments. As noted above, Putnam Management will also consider the fund’s overall exposure to each sector.

The fund offers class A, class B, class C, class M and class Y shares. Effective April 1, 2017, purchases of class B shares will be closed to new and existing investors except by exchange from class B shares of another Putnam fund or through dividend and/or capital gains reinvestment. Class A and class M shares are sold with a maximum front-end sales charge of 5.75% and 3.50%, respectively. Class A shares generally are not subject to a contingent deferred sales charge, and class M and class Y shares are not subject to a contingent deferred sales charge. Class B shares, which convert to class A shares after approximately eight years, are not subject to a front-end sales charge and are subject to a contingent deferred sales charge if those shares are redeemed within six years of purchase. Class C shares are subject to a one-year 1.00% contingent deferred sales charge and do not convert to class A shares. The expenses for class A, class B, class C, and class M shares may differ based on the distribution fee of each class, which is identified in Note 2. Class Y shares, which are sold at net asset value, are generally subject to the same expenses as class A, class B, class C, and class M shares, but do not bear a distribution fee. Class Y shares are not available to all investors.

In the normal course of business, the fund enters into contracts that may include agreements to indemnify another party under given circumstances. The fund’s maximum exposure under these arrangements is unknown as this would involve future claims that may be, but have not yet been, made against the fund. However, the fund’s management team expects the risk of material loss to be remote.

The fund has entered into contractual arrangements with an investment adviser, administrator, distributor, shareholder servicing agent and custodian, who each provide services to the fund. Unless expressly stated otherwise, shareholders are not parties to, or intended beneficiaries of these contractual arrangements, and these

contractual arrangements are not intended to create any shareholder right to enforce them against the service providers or to seek any remedy under them against the service providers, either directly or on behalf of the fund.

Under the fund's Declaration of Trust, any claims asserted against or on behalf of the Putnam Funds, including claims against Trustees and Officers, must be brought in state and federal courts located within the Commonwealth of Massachusetts.

Note 1: Significant accounting policies

The following is a summary of significant accounting policies consistently followed by the fund in the preparation of its financial statements. The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations. Actual results could differ from those estimates. Subsequent events after the Statement of assets and liabilities date through the date that the financial statements were issued have been evaluated in the preparation of the financial statements.

Investment income, realized and unrealized gains and losses and expenses of the fund are borne pro-rata based on the relative net assets of each class to the total net assets of the fund, except that each class bears expenses unique to that class (including the distribution fees applicable to such classes). Each class votes as a class only with respect to its own distribution plan or other matters on which a class vote is required by law or determined by the Trustees. If the fund were liquidated, shares of each class would receive their pro-rata share of the net assets of the fund. In addition, the Trustees declare separate dividends on each class of shares.

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.

Investments for which market quotations are readily available are valued at the last reported sales price on their principal exchange, or official closing price for certain markets, and are classified as Level 1 securities under Accounting Standards Codification 820 *Fair Value Measurements and Disclosures* (ASC 820). If no sales are reported, as in the case of some securities that are traded OTC, a security is valued at its last reported bid price and is generally categorized as a Level 2 security.

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.

Market quotations are not considered to be readily available for certain debt obligations (including short-term investments with remaining maturities of 60 days or less) and other investments; such investments are valued on the basis of valuations furnished by an independent pricing service approved by the Trustees or dealers selected by Putnam Management. Such services or dealers determine valuations for normal institutional-size trading units of such securities using methods based on market transactions for comparable securities and various relationships, generally recognized by institutional traders, between securities (which consider such factors as security prices, yields, maturities and ratings). These securities will generally be categorized as Level 2.

Many securities markets and exchanges outside the U.S. close prior to the scheduled close of the New York Stock Exchange and therefore the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the scheduled close of the New York Stock Exchange. Accordingly, on certain days, the fund will fair value certain foreign equity securities taking into account multiple factors including movements in the U.S. securities markets, currency valuations and comparisons to the valuation of American Depository Receipts, exchange-traded funds and futures contracts. The foreign equity securities, which would generally be classified as Level 1 securities, will be transferred to Level 2 of the fair value hierarchy when they are valued at fair value. The number of days on which fair value prices will be used will depend on market activity and it is possible that fair value prices will be used by the fund to a significant extent. Securities quoted in foreign currencies, if any, are translated into U.S. dollars at the current exchange rate.

To the extent a pricing service or dealer is unable to value a security or provides a valuation that Putnam Management does not believe accurately reflects the security's fair value, the security will be valued at fair value

by Putnam Management in accordance with policies and procedures approved by the Trustees. Certain investments, including certain restricted and illiquid securities and derivatives, are also valued at fair value following procedures approved 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.

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. 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.

Security transactions and related investment income Security transactions are recorded on the trade date (the date the order to buy or sell is executed). Gains or losses on securities sold are determined on the identified cost basis.

Interest income, net of any applicable withholding taxes, is recorded on the accrual basis. Dividend income, net of any applicable withholding taxes, is recognized on the ex-dividend date except that certain dividends from foreign securities, if any, are recognized as soon as the fund is informed of the ex-dividend date. Non-cash dividends, if any, are recorded at the fair value of the securities received. Dividends representing a return of capital or capital gains, if any, are reflected as a reduction of cost and/or as a realized gain. All premiums/discounts are amortized/accreted on a yield-to-maturity basis.

Options contracts The fund uses options contracts to generate additional income for the portfolio and to manage downside risks.

The potential risk to the fund is that the change in value of options contracts may not correspond to the change in value of the hedged instruments. In addition, losses may arise from changes in the value of the underlying instruments if there is an illiquid secondary market for the contracts, if interest or exchange rates move unexpectedly or if the counterparty to the contract is unable to perform. Realized gains and losses on purchased options are included in realized gains and losses on investment securities. If a written call option is exercised, the premium originally received is recorded as an addition to sales proceeds. If a written put option is exercised, the premium originally received is recorded as a reduction to the cost of investments.

Exchange-traded options are valued at the last sale price or, if no sales are reported, the last bid price for purchased options and the last ask price for written options. OTC traded options are valued using prices supplied by dealers.

Options on swaps are similar to options on securities except that the premium paid or received is to buy or grant the right to enter into a previously agreed upon interest rate or credit default contract. Forward premium swap option contracts include premiums that have extended settlement dates. The delayed settlement of the premiums is factored into the daily valuation of the option contracts. In the case of interest rate cap and floor contracts, in return for a premium, ongoing payments between two parties are based on interest rates exceeding a specified rate, in the case of a cap contract, or falling below a specified rate in the case of a floor contract.

Written option contracts outstanding at period end, if any, are listed after the fund's portfolio.

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 did not have a net liability position on open derivative contracts subject to the Master Agreements.

Securities lending The fund may lend securities, through its agent, to qualified borrowers in order to earn additional income. The loans are collateralized by cash in an amount at least equal to the fair value of the securities loaned. The fair value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. The remaining maturities of the securities lending transactions are considered overnight and continuous. The risk of borrower default will be borne by the fund's agent; the fund will bear the risk of loss with respect to the investment of the cash collateral. Income from securities lending, net of expenses, is included in investment income on the Statement of operations. Cash collateral is invested in Putnam Cash Collateral Pool, LLC, a limited liability company managed by an affiliate of Putnam Management. Investments in Putnam Cash Collateral Pool, LLC are valued at its closing net asset value each business day. There are no management fees charged to Putnam Cash Collateral Pool, LLC. At the close of the reporting period, the fund received cash collateral of \$43,750 and the value of securities loaned amounted to \$42,070.

Interfund lending The fund, along with other Putnam funds, may participate in an interfund lending program pursuant to an exemptive order issued by the SEC. This program allows the fund to borrow from or lend to other Putnam funds that permit such transactions. Interfund lending transactions are subject to each fund's investment policies and borrowing and lending limits. Interest earned or paid on the interfund lending transaction will be based on the average of certain current market rates. During the reporting period, the fund did not utilize the program.

Lines of credit The fund participates, along with other Putnam funds, in a \$317.5 million unsecured committed line of credit and a \$235.5 million unsecured uncommitted line of credit, both provided by State Street. Borrowings may be made for temporary or emergency purposes, including the funding of shareholder redemption requests and trade settlements. Interest is charged to the fund based on the fund's borrowing at a rate equal to the higher of (1) the Federal Funds rate and (2) the overnight LIBOR plus 1.25% for the committed line of credit and the Federal Funds rate plus 1.30% for the uncommitted line of credit. A closing fee equal to 0.04% of the committed line of credit plus a \$25,000 flat fee and 0.04% of the uncommitted line of credit has been paid by the participating funds. In addition, a commitment fee of 0.21% per annum on any unutilized portion of the committed line of credit is allocated to the participating funds based on their relative net assets and paid quarterly. During the reporting period, the fund had no borrowings against these arrangements.

Federal taxes It is the policy of the fund to distribute all of its taxable income within the prescribed time period and otherwise comply with the provisions of the Internal Revenue Code of 1986, as amended (the Code), applicable to regulated investment companies. It is also the intention of the fund to distribute an amount sufficient to avoid imposition of any excise tax under Section 4982 of the Code.

The fund is subject to the provisions of Accounting Standards Codification 740 *Income Taxes* (ASC 740). ASC 740 sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The fund did not have a liability to record for any unrecognized tax benefits in the accompanying financial statements. No provision has been made for federal taxes on income, capital gains or unrealized appreciation on securities held nor for excise tax on income and capital gains. Each of the fund's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

The aggregate identified cost on a tax basis is \$26,241,932, resulting in gross unrealized appreciation and depreciation of \$4,186,066 and \$921,969, respectively, or net unrealized appreciation of \$3,264,097.

Distributions to shareholders Distributions to shareholders from net investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Dividend sources are estimated at the time of declaration. Actual results may vary. Any non-taxable return of capital cannot be determined until final tax calculations are completed after the end of the fund's fiscal year. Reclassifications

are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations.

Expenses of the Trust Expenses directly charged or attributable to any fund will be paid from the assets of that fund. Generally, expenses of the Trust will be allocated among and charged to the assets of each fund on a basis that the Trustees deem fair and equitable, which may be based on the relative assets of each fund or the nature of the services performed and relative applicability to each fund.

Note 2: Management fee, administrative services and other transactions

The fund pays Putnam Management a management fee (based on the fund's average net assets and computed and paid monthly) at annual rates that may vary based on the average of the aggregate net assets of all open-end mutual funds sponsored by Putnam Management (excluding net assets of funds that are invested in, or that are invested in by, other Putnam funds to the extent necessary to avoid "double counting" of those assets). Such annual rates may vary as follows:

0.780%	of the first \$5 billion,	0.580%	of the next \$50 billion,
0.730%	of the next \$5 billion,	0.560%	of the next \$50 billion,
0.680%	of the next \$10 billion,	0.550%	of the next \$100 billion and
0.630%	of the next \$10 billion,	0.545%	of any excess thereafter.

For the reporting period, the management fee represented an effective rate (excluding the impact from any expense waivers in effect) of 0.315% of the fund's average net assets.

Putnam Management has contractually agreed to waive fees (and, to the extent necessary, bear other expenses) of the fund through November 30, 2017, to the extent that total expenses of the fund (excluding brokerage, interest, taxes, investment-related expenses, payments under distribution plans, extraordinary expenses and acquired fund fees and expenses) would exceed an annual rate of 0.95% of the fund's average net assets. During the reporting period, the fund's expenses were reduced by \$1,650 as a result of this limit.

Putnam Management has also contractually agreed, through November 30, 2017, to waive fees or reimburse the fund's expenses to the extent necessary to limit the cumulative expenses of the fund, exclusive of brokerage, interest, taxes, investment-related expenses, extraordinary expenses, acquired fund fees and expenses and payments under the fund's investor servicing contract, investment management contract and distribution plans, on a fiscal year-to-date basis to an annual rate of 0.20% of the fund's average net assets over such fiscal year-to-date period. During the reporting period, the fund's expenses were reduced by \$36,966 as a result of this limit.

Putnam Investments Limited (PIL), an affiliate of Putnam Management, is authorized by the Trustees to manage a separate portion of the assets of the fund as determined by Putnam Management from time to time. PIL did not manage any portion of the assets of the fund during the reporting period. If Putnam Management were to engage the services of PIL, Putnam Management would pay a quarterly sub-management fee to PIL for its services at an annual rate of 0.35% of the average net assets of the portion of the fund managed by PIL.

The fund reimburses Putnam Management an allocated amount for the compensation and related expenses of certain officers of the fund and their staff who provide administrative services to the fund. The aggregate amount of all such reimbursements is determined annually by the Trustees.

Custodial functions for the fund's assets are provided by State Street. Custody fees are based on the fund's asset level, the number of its security holdings and transaction volumes.

Putnam Investor Services, Inc., an affiliate of Putnam Management, provides investor servicing agent functions to the fund. Putnam Investor Services, Inc. received fees for investor servicing for class A, class B, class C, class M, and class Y shares that included (1) a per account fee for each direct and underlying non-defined contribution account ("retail account") of the fund; (2) a specified rate of the fund's assets attributable to defined contribution plan accounts; and (3) a specified rate based on the average net assets in retail accounts. Putnam Investor Services, Inc. has agreed that the aggregate investor servicing fees for each fund's retail and defined contribution accounts for these share classes will not exceed an annual rate of 0.25% of the fund's average assets attributable to such accounts.

Prior to September 1, 2016, Putnam Investor Services, Inc. received fees for investor servicing for class A, class B, class C, class M, and class Y shares that included (1) a per account fee for each retail account of the fund and each

of the other funds in its specified category, which was totaled and then allocated to each fund in the category based on its average daily net assets; (2) a specified rate of the fund's assets attributable to defined contribution plan accounts; and (3) a specified rate based on the average net assets in retail accounts. Prior to September 1, 2016, Putnam Investor Services, Inc. had agreed that the aggregate investor servicing fees for each fund's retail and defined contribution accounts for these share classes would not exceed an annual rate of 0.320% of the fund's average assets attributable to such accounts.

During the reporting period, the expenses for each class of shares related to investor servicing fees were as follows:

Class A	\$4,857	Class M	306
Class B	483	Class Y	18,229
Class C	883	Total	\$24,758

The fund has entered into expense offset arrangements with Putnam Investor Services, Inc. and State Street whereby Putnam Investor Services, Inc.'s and State Street's fees are reduced by credits allowed on cash balances. For the reporting period, the fund's expenses were reduced by \$16 under the expense offset arrangements.

Each Independent Trustee of the fund receives an annual Trustee fee, of which \$24, as a quarterly retainer, has been allocated to the fund, and an additional fee for each Trustee's meeting attended. Trustees also are reimbursed for expenses they incur relating to their services as Trustees.

The fund has adopted a Trustee Fee Deferral Plan (the Deferral Plan) which allows the Trustees to defer the receipt of all or a portion of Trustees fees payable on or after July 1, 1995. The deferred fees remain invested in certain Putnam funds until distribution in accordance with the Deferral Plan.

The fund has adopted an unfunded noncontributory defined benefit pension plan (the Pension Plan) covering all Trustees of the fund who have served as a Trustee for at least five years and were first elected prior to 2004. Benefits under the Pension Plan are equal to 50% of the Trustee's average annual attendance and retainer fees for the three years ended December 31, 2005. The retirement benefit is payable during a Trustee's lifetime, beginning the year following retirement, for the number of years of service through December 31, 2006. Pension expense for the fund is included in Trustee compensation and expenses in the Statement of operations. Accrued pension liability is included in Payable for Trustee compensation and expenses in the Statement of assets and liabilities. The Trustees have terminated the Pension Plan with respect to any Trustee first elected after 2003.

The fund has adopted distribution plans (the "Plans") with respect to the following class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940. The purpose of the Plans is to compensate Putnam Retail Management Limited Partnership, an indirect wholly-owned subsidiary of Putnam Investments, LLC, for services provided and expenses incurred in distributing shares of the fund. The Plans provide payments by the fund to Putnam Retail Management Limited Partnership at an annual rate of up to the following amounts ("Maximum %") of the average net assets attributable to each class. The Trustees have approved payment by the fund at the following annual rate ("Approved %") of the average net assets attributable to each class. During the reporting period, the class-specific expenses related to distribution fees were as follows:

	Maximum %	Approved %	Amount
Class A	0.35%	0.25%	\$9,000
Class B	1.00%	1.00%	3,574
Class C	1.00%	1.00%	6,496
Class M	1.00%	0.75%	1,704
Total			\$20,774

For the reporting period, Putnam Retail Management Limited Partnership, acting as underwriter, received net commissions of \$1,417 and no monies from the sale of class A and class M shares, respectively, and received \$2,302 and \$10 in contingent deferred sales charges from redemptions of class B and class C shares, respectively.

A deferred sales charge of up to 1.00% is assessed on certain redemptions of class A shares. For the reporting period, Putnam Retail Management Limited Partnership, acting as underwriter, received no monies on class A redemptions.

Note 3: Purchases and sales of securities

During the reporting period, the cost of purchases and the proceeds from sales, excluding short-term investments, were as follows:

	Cost of purchases	Proceeds from sales
Investments in securities (Long-term)	\$2,381,053	\$13,363,027
U.S. government securities (Long-term)	—	—
Total	\$2,381,053	\$13,363,027

The fund may purchase or sell investments from or to other Putnam funds in the ordinary course of business, which can reduce the fund's transaction costs, at prices determined in accordance with SEC requirements and policies approved by the Trustees. During the reporting period, purchases or sales of long-term securities from or to other Putnam funds, if any, did not represent more than 5% of the fund's total cost of purchases and/or total proceeds from sales.

Written option transactions during the reporting period are summarized as follows:

	Written option contract amounts	Written option premiums
Written options outstanding at the beginning of the reporting period	\$89,884	\$15,730
Options opened	360,941	107,478
Options exercised	(347,599)	(89,170)
Options expired	—	—
Options closed	(84,381)	(29,327)
Written options outstanding at the end of the reporting period	\$18,845	\$4,711

Note 4: Capital shares

At the close of the reporting period, there were an unlimited number of shares of beneficial interest authorized. Transactions in capital shares were as follows:

Class A	SIX MONTHS ENDED 1/31/17		YEAR ENDED 7/31/16	
	Shares	Amount	Shares	Amount
Shares sold	113,061	\$1,220,743	545,058	\$5,774,911
Shares issued in connection with reinvestment of distributions	9,624	103,652	20,087	213,723
	122,685	1,324,395	565,145	5,988,634
Shares repurchased	(194,093)	(2,094,968)	(309,691)	(3,311,506)
Net increase (decrease)	(71,408)	\$(770,573)	255,454	\$2,677,128

Class B	SIX MONTHS ENDED 1/31/17		YEAR ENDED 7/31/16	
	Shares	Amount	Shares	Amount
Shares sold	5,653	\$60,091	22,340	\$241,248
Shares issued in connection with reinvestment of distributions	506	5,398	3,070	32,332
	6,159	65,489	25,410	273,580
Shares repurchased	(11,735)	(122,754)	(11,551)	(122,875)
Net increase (decrease)	(5,576)	\$(57,265)	13,859	\$150,705

Class C	SIX MONTHS ENDED 1/31/17		YEAR ENDED 7/31/16	
	Shares	Amount	Shares	Amount
Shares sold	15,312	\$162,241	122,039	\$1,274,980
Shares issued in connection with reinvestment of distributions	790	8,416	3,652	38,382
	16,102	170,657	125,691	1,313,362
Shares repurchased	(50,994)	(540,032)	(40,113)	(420,709)
Net increase (decrease)	(34,892)	\$(369,375)	85,578	\$892,653

Class M	SIX MONTHS ENDED 1/31/17		YEAR ENDED 7/31/16	
	Shares	Amount	Shares	Amount
Shares sold	5,486	\$59,324	27,915	\$289,290
Shares issued in connection with reinvestment of distributions	449	4,812	534	5,657
	5,935	64,136	28,449	294,947
Shares repurchased	(6,142)	(65,382)	(1,099)	(12,176)
Net increase (decrease)	(207)	\$(1,246)	27,350	\$282,771

Class Y	SIX MONTHS ENDED 1/31/17		YEAR ENDED 7/31/16	
	Shares	Amount	Shares	Amount
Shares sold	158,925	\$1,695,588	337,806	\$3,586,143
Shares issued in connection with reinvestment of distributions	42,591	458,706	144,925	1,542,000
	201,516	2,154,294	482,731	5,128,143
Shares repurchased	(1,045,052)	(11,209,775)	(1,634,131)	(17,257,905)
Net decrease	(843,536)	\$(9,055,481)	(1,151,400)	\$(12,129,762)

At the close of the reporting period, Putnam Investments, LLC owned 1,114 class M shares of the fund (2.8% of class M shares outstanding), valued at \$11,976.

At the close of the reporting period, two shareholders of record owned 21.38% and 18.29% respectively, of the outstanding shares of the fund.

Note 5: Affiliated transactions

Transactions during the reporting period with any company which is under common ownership or control were as follows:

Name of affiliate	Fair value at the beginning of the reporting period	Purchase cost	Sale proceeds	Investment income	Fair value at the end of the reporting period
Putnam Cash Collateral Pool, LLC*	\$439,259	\$4,848,455	\$5,243,964	\$1,245	\$43,750
Putnam Short Term Investment Fund**	116,905	5,948,846	6,046,925	547	18,826
Totals	\$556,164	\$10,797,301	\$11,290,889	\$1,792	\$62,576

* No management fees are charged to Putnam Cash Collateral Pool, LLC (Note 1).

** Management fees charged to Putnam Short Term Investment Fund have been waived by Putnam Management.

Note 6: Market, credit and other risks

In the normal course of business, the fund trades financial instruments and enters into financial transactions where risk of potential loss exists due to changes in the market (market risk) or failure of the contracting party to the transaction to perform (credit risk). The fund may be exposed to additional credit risk that an institution or other entity with which the fund has unsettled or open transactions will default.

Note 7: Summary of derivative activity

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

Purchased equity option contracts (contract amount)	\$150,000
Written equity option contracts (contract amount) (Note 3)	\$67,000

The following is a summary of the fair value of derivative instruments as of the close of the reporting period:

Fair value of derivative instruments as of the close of the reporting period

Derivatives not accounted for as hedging instruments under ASC 815	ASSET DERIVATIVES		LIABILITY DERIVATIVES	
	Statement of assets and liabilities location	Fair value	Statement of assets and liabilities location	Fair value
Equity contracts	Investments	377,230	Payables	2,639
Total		\$377,230		\$2,639

The following is a summary of realized and change in unrealized gains or losses of derivative instruments in the Statement of operations for the reporting period (Note 1):

Amount of realized gain or (loss) on derivatives recognized in net gain or (loss) on investments

Derivatives not accounted for as hedging instruments under ASC 815	Options	Total
Equity contracts	\$(968,156)	\$(968,156)
Total	\$(968,156)	\$(968,156)

Change in unrealized appreciation or (depreciation) on derivatives recognized in net gain or (loss) on investments

Derivatives not accounted for as hedging instruments under ASC 815	Options	Total
Equity contracts	\$239,263	\$239,263
Total	\$239,263	\$239,263

Note 8: Offsetting of financial and derivative assets and liabilities

The following table summarizes any derivatives, repurchase agreements and reverse repurchase agreements, at the end of the reporting period, that are subject to an enforceable master netting agreement or similar agreement. For securities lending transactions or borrowing transactions associated with securities sold short, if any, see Note 1. For financial reporting purposes, the fund does not offset financial assets and financial liabilities that are subject to the master netting agreements in the Statement of assets and liabilities.

	Bank of America N.A.	Citibank, N.A.	JPMorgan Chase Bank N.A.	Total
Assets:				
Purchased options**#	32,837	48,673	295,720	377,230
Total Assets	\$32,837	\$48,673	\$295,720	\$377,230
Liabilities:				
Written options#	2,639	—	—	2,639
Total Liabilities	\$2,639	\$—	\$—	\$2,639
Total Financial and Derivative Net Assets	\$30,198	\$48,673	\$295,720	\$374,591
Total collateral received (pledged)†##	\$30,198	\$48,673	\$210,000	
Net amount	\$—	\$—	\$85,720	

**Included with Investments in securities on the Statement of assets and liabilities.

† Additional collateral may be required from certain brokers based on individual agreements.

Covered by master netting agreement (Note 1).

Any over-collateralization of total financial and derivative net assets is not shown. Collateral may include amounts related to unsettled agreements.

Note 9: New pronouncements

In October 2016, the SEC adopted amendments to rules under the Investment Company Act of 1940 (“final rules”) intended to modernize the reporting and disclosure of information by registered investment companies. The final rules amend Regulation S-X and require funds to provide standardized, enhanced derivative disclosure in fund financial statements in a format designed for individual investors. The amendments to Regulation S-X also update the disclosures for other investments and investments in and advances to affiliates and amend the rules regarding the general form and content of fund financial statements. The compliance date for the amendments to Regulation S-X is August 1, 2017. Putnam Management is currently evaluating the amendments and their impact, if any, on the fund’s financial statements.

Fund information

Founded over 75 years ago, Putnam Investments was built around the concept that a balance between risk and reward is the hallmark of a well-rounded financial program. We manage over 100 funds across income, value, blend, growth, asset allocation, absolute return, and global sector categories.

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