

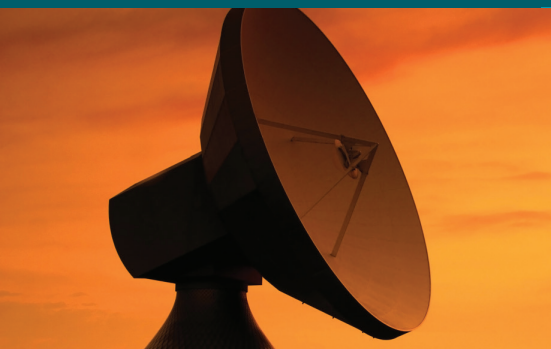
A world of investing.®



# Putnam Global Telecommunications Fund

**Semiannual report**

**2 | 28 | 17**



This **global sector fund** invests in stocks of telecommunications companies worldwide.

FUND SYMBOL  
CLASS A  
PGBZX

# Putnam Global Telecommunications Fund

## Semiannual report

2 | 28 | 17

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**Consider these risks before investing:** International investing involves currency, economic, and political risks. Emerging market securities carry illiquidity and volatility risks. Investments in small and/or midsize companies increase the risk of greater price fluctuations. The telecommunications industry may be affected by government regulation, intense competition, equipment incompatibility, changing consumer preferences, technological obsolescence, and large capital expenditures and debt burdens. The fund concentrates on a limited group of industries and is non-diversified. Because the fund may invest in fewer issuers, it is vulnerable to common economic forces and may result in greater losses and volatility. Growth stocks may be more susceptible to earnings disappointments, and value stocks may fail to rebound. The use of short selling may result in losses if the securities appreciate in value. 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, changing market perceptions, changes in government intervention in financial markets, and factors related to a specific issuer or industry. You can lose money by investing in the fund.

## Message from the Trustees

April 10, 2017

Dear Fellow Shareholder:

The early months of 2017 have been generally positive for investor sentiment and financial market performance. Many market indexes have achieved new record highs with relatively low volatility, in contrast to the bouts of uncertainty and turbulence that tested global financial markets in 2016. It is worth noting, however, that the exuberance that greeted the new year calmed somewhat as investors reconsidered a number of ongoing macroeconomic and political 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 goals, we also believe it is a good idea to speak regularly with your financial advisor. In the following pages, you will find an overview of your fund's performance for the reporting period as well as an outlook for the coming months.

We would like to take this opportunity to announce the arrival of Catharine Bond Hill and Manoj P. Singh to your fund's Board of Trustees. Dr. Hill and Mr. Singh bring extensive professional and directorship experience to their role as Trustees, and we are pleased to welcome them.

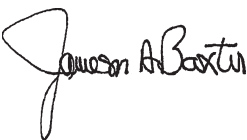
Thank you for investing with Putnam.

Respectfully yours,



**Robert L. Reynolds**

President and Chief Executive Officer  
Putnam Investments



**Jameson A. Baxter**

Chair, Board of Trustees



## About the fund

# Pursuing growth opportunities across a dynamic sector

Telecommunications — defined as the transmission of information, such as words, sounds, or images, usually over great distances — has experienced an astounding array of advances over the years.

The telecommunications sector includes telephone and wireless companies, providers of mobile devices and services such as text messaging and mobile internet connectivity, and cable companies offering high-speed internet access and video programming.

Putnam Global Telecommunications Fund seeks to capitalize on the potential of this dynamic sector — and the many innovations that are still to come. Under normal circumstances, the fund invests at least 80% of its net assets in stocks of companies engaged in telecommunications industries.

The fund's portfolio can include businesses of all sizes and at different stages of growth, from newer, rapidly growing companies to established global corporations. The fund's manager, Vivek Gandhi, focuses primarily on

large and midsize companies, and has the flexibility to invest in the United States and in international markets.

Vivek conducts intensive research with support from analysts in Putnam's Equity Research group. Their disciplined process includes analyzing each company's valuation, financial strength, competitive positioning, earnings, and cash flow.

## Developments and events that have affected the telecommunications sector



1983

Motorola introduces the first handheld mobile phone in the U.S. market



1984

The Bell System ends when the AT&T divestiture creates seven Regional Bell Operating Companies



1996

The first major overhaul of telecommunications law in over 60 years, the Telecommunications Act aims to create full competition in all markets



2001

Use of high-speed broadband, introduced several years earlier, begins growing faster than internet dial-up services



2004

Mass-market VoIP services, which deliver voice communication via the internet, are introduced



2014

Mobile application usage grows 76% over prior year

The fund's 2008 inception post-dates many of these developments.

## Sector investing at Putnam

In recent decades, innovation and business growth have propelled stocks in different industries to market-leading performance. Finding these stocks, many of which are in international markets, requires rigorous research and in-depth knowledge of global markets.

Putnam's sector funds invest in nine sectors worldwide and offer active management, risk controls, and the expertise of dedicated sector analysts. The funds' managers invest with flexibility and precision, using fundamental research to hand select stocks for the portfolios.

### ALL SECTORS IN ONE FUND:

#### Putnam Global Sector Fund

A portfolio of individual Putnam Global Sector Funds that provides exposure to all sectors of the MSCI World Index.

### INDIVIDUAL SECTOR FUNDS:

#### Global Consumer Fund

Retail, hotels, restaurants, media, food and beverages

#### Global Energy Fund

Oil and gas, energy equipment and services

#### Global Financials Fund

Commercial banks, insurance, diversified financial services, mortgage finance

#### Global Health Care Fund

Pharmaceuticals, biotechnology, health-care services

#### Global Industrials Fund

Airlines, railroads, trucking, aerospace and defense, construction, commercial services

#### Global Natural Resources Fund

Metals, chemicals, oil and gas, forest products

#### Global Technology Fund

Software, computers, internet services

#### Global Telecommunications Fund

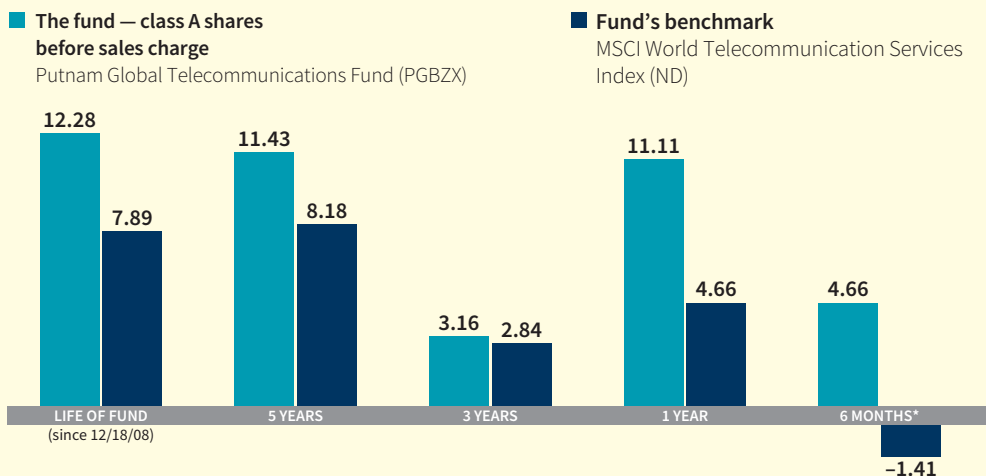
Diversified and wireless telecommunications services

#### Global Utilities Fund

Electric, gas, and water utilities

## Performance history as of 2/28/17

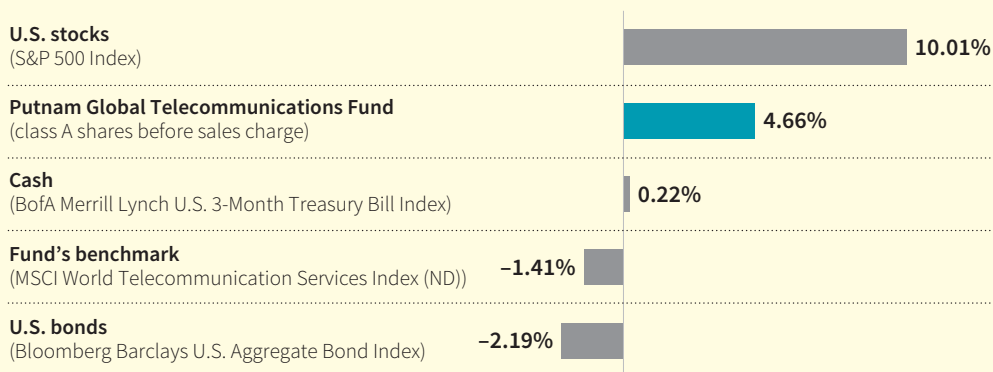
### Annualized total return (%) comparison



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](http://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 2/28/17. 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 manager

Vivek Gandhi discusses the investing environment and fund performance for the six-month period ended February 28, 2017, as well as his outlook for the global telecommunications market in the months ahead.



**Vivek Gandhi, CFA**  
Portfolio Manager

Vivek has an M.B.A. from Xavier Labour Relations Institute in Jamshedpur, India, and a B.Eng. from Regional Engineering College in Bhopal, India. He joined Putnam in 1999 and has been in the investment industry since 1994.

### **The global telecommunications sector was lackluster during the six-month reporting period ended February 28, 2017. How did the fund perform in this environment?**

Despite a generally positive market for global stocks during the period, the telecommunications sector was -1.41% as measured by the MSCI World Telecommunication Services Index [ND]. The fund itself fared significantly better, returning 4.66% for the period. Many telecommunication companies' stocks are considered defensive, meaning that they tend to perform relatively well when investors become averse to taking greater risk. During the period, investors became more inclined to take risk and focused on higher returns in non-defensive stocks. As markets rallied after the U.S. presidential election in November, this trend accelerated.

The fund invests according to our view that certain telecommunication companies are better positioned than others to compete for future growth based on better regulation, market structure, economic growth, or differentiated product offering. Companies can differentiate by lower price, convenience (better service), or capability. Convergence, or the use of a single provider for broadband,

## Global composition

● United States	47.2%
● Japan	15.7
● Spain	6.2
● Sweden	4.9
● Netherlands	4.8
● France	4.8
● Italy	4.3
● United Kingdom	4.0
● Brazil	3.2
● Cash and net other assets	4.9



Allocations are shown as a percentage of the fund's net assets as of 2/28/17. 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 information in the portfolio schedule notes included in the financial statements due to the inclusion of derivative securities, any interest accruals, the exclusion of as-of trades, if any, and rounding. Holdings and allocations may vary over time.

## Top 10 holdings

HOLDING (PERCENTAGE OF FUND'S NET ASSETS)	COUNTRY	OVER/UNDERWEIGHT VS. BENCHMARK
AT&T, Inc. (16.2%)	United States	-6.5%
Verizon Communications, Inc. (7.9%)	United States	-9.9%
SoftBank Corp. (6.7%)	Japan	0.4%
T-Mobile US, Inc. (5.6%)	United States	4.0%
Com Hem Holding AB (4.9%)	Sweden	4.9%
InterXion Holding NV (4.9%)	Netherlands	4.9%
SFR Group SA (4.8%)	France	4.6%
KDDI Corp. (4.6%)	Japan	0.4%
Telecom Italia SpA (4.3%)	Italy	3.2%
Charter Communications, Inc. (4.2%)	United States	4.2%

This table shows the fund's top 10 holdings by percentage of the fund's net assets as of 2/28/17. Short-term investments and derivatives, if any, are excluded. Holdings may vary over time.

pay TV, and phone, hits at all three factors and, therefore, has been a very powerful industry trend. Customers have benefited from a lower price and single contact for all their service needs, and companies have benefited from higher retention (or lower turnover) of their customers.

The fund benefited during the period both from our stock selection and from our underweight positions versus the benchmark in firms that we believe are not well positioned for growth.

### **What were some of the stocks that had notable performance during the reporting period?**

Among positive contributors, Com Hem Holdings in Sweden has been a strong performer, growing its customer base and cash flows. We tend to buy and hold stocks that we believe have longer term potential, and Com Hem Holdings is an example of a converged service provider that we have owned since its initial public offering a few years ago.

In the United States, T-Mobile also continues to perform well. Partly owned by Germany's Deutsche Telecom, T-Mobile is considered a maverick mobile operator, competing directly with larger companies and gaining market share with attractive price plans. Charter Communications, the second-largest cable provider in the United States, was also a top contributor to fund performance during the period and continues to benefit from the convergence trend. Although we reduced our underweight to Verizon during the period, the underweight positioning contributed to performance versus the index. Verizon's stock continued to underperform as the company faced challenges from maverick competitors like T-Mobile.

Among detractors from performance was the fund's underweight exposure to Japanese multi-telecommunications and internet company Softbank. We expected the company to remain under pressure with the sudden departure of its president, but it benefited from

**“ The fund benefited during the period both from our stock selection and from our underweight positions versus the benchmark. ”**

**Vivek Gandhi**

its ownership of Sprint, which rallied during the period. We did further analysis and have subsequently reduced our underweight to Softbank given our positive opinion of its largest holding, Alibaba, which is the largest e-commerce player in China. Other detractors included Zayo Group, which we no longer hold in the portfolio, a U.S.-based telecom infrastructure business that has experienced earnings disappointments, and Cellnex, a Spanish tower company. Tower companies have long dated fixed or inflation-linked contracts with telecom operators. This means that their stock valuation is sensitive to rising interest rates, which became a factor during the period.

### **How did the fund use derivatives during the reporting period?**

We used currency forward contracts to hedge portions of our foreign currency exposures. Currency forwards allow us to pursue strategies that can help protect the fund from adverse movements in exchange rates. Use of forward currency contracts during the period had a slightly positive impact on returns.

### **What is your current outlook for the global telecommunications industry, and how is the fund positioned going forward?**

Our views of the overall telecom industry landscape have not changed recently. At the same time, there has been a continued shift in our estimation of current market opportunities. During the period, the outlook in the United States improved compared with other developed markets. We have added to our investments in the United States at the expense of Europe. In Europe, prospects of industry



consolidation and an improved regulatory environment have been, at the very least, pushed back. In the United States on the other hand, there has been coincidental improvement in prospects of favorable regulation and industry consolidation. Additionally, we believe that the United States offers a better economic environment and potential for fiscal stimulus.

We remain focused on companies in the developed markets that we believe are positioned to benefit from the convergence of phone, TV, and internet services. These investments include cable and tower companies and other infrastructure providers. At the same time, we believe that large mobile-only providers may benefit from regulatory changes in the United States that produce incentives for capital expenditures or encourage mergers and acquisitions.

In our view, a more favorable regulatory environment does not mean that large companies such as AT&T and Verizon don't still face challenges. The recent shift back to unlimited data offerings by Verizon was a surprise to us and is one example. Mobile companies have been moving in the direction of charging for

data, but unlimited plans by the competition caused Verizon to reciprocate. This, in turn, puts pressure on smaller carriers to refocus on competitive pricing. In addition, providing large amounts of unlimited data presents cost and capacity challenges for mobile companies.

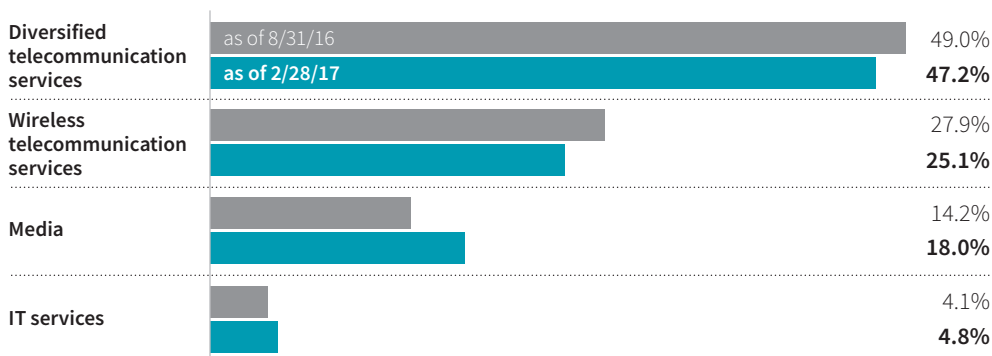
Outside of the United States, we expect business as usual in Europe, where regulations have discouraged mergers, and in Japan, where a handful of large companies dominate the market. Within emerging markets, we see only limited opportunities outside of Brazil, and we invest on a company-by-company basis rather than on a country or regional basis.

**Thank you, Vivek, for your time and update on the fund.**

*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.*

## Comparison of top industry weightings



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.

## Your fund's performance

This section shows your fund's performance, price, and distribution information for periods ended February 28, 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 R and 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 2/28/17

	Life of Fund	Annual average	5 years	Annual average	3 years	Annual average	1 year	6 months
<b>Class A (12/18/08)</b>								
Before sales charge	158.38%	12.28%	71.80%	11.43%	9.80%	3.16%	11.11%	4.66%
After sales charge	143.52	11.47	61.92	10.12	3.48	1.15	4.72	-1.36
<b>Class B (12/18/08)</b>								
Before CDSC	143.42	11.47	65.37	10.58	7.33	2.39	10.27	4.21
After CDSC	143.42	11.47	63.37	10.31	4.97	1.63	5.27	-0.79
<b>Class C (12/18/08)</b>								
Before CDSC	143.06	11.45	65.43	10.59	7.38	2.40	10.28	4.27
After CDSC	143.06	11.45	65.43	10.59	7.38	2.40	9.28	3.27
<b>Class M (12/18/08)</b>								
Before sales charge	148.07	11.73	67.48	10.86	8.15	2.65	10.55	4.42
After sales charge	139.39	11.24	61.62	10.08	4.36	1.43	6.68	0.77
<b>Class R (12/18/08)</b>								
Net asset value	153.10	12.00	69.50	11.13	8.95	2.90	10.77	4.50
<b>Class Y (12/18/08)</b>								
Net asset value	163.80	12.57	73.96	11.71	10.60	3.42	11.36	4.78

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 R and 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.

Class B share performance reflects conversion to class A shares after eight years.

## Comparative index returns For periods ended 2/28/17

	Life of Fund	Annual average	5 years	Annual average	3 years	Annual average	1 year	6 months
<b>MSCI World Telecommunication Services Index (ND)</b>	86.33%	7.89%	48.15%	8.18%	8.75%	2.84%	4.66%	-1.41%

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

## Fund price and distribution information For the six-month period ended 2/28/17

Distributions	Class A		Class B	Class C	Class M		Class R	Class Y
Number	1		1	1	1		1	1
Income	\$0.566		\$0.476	\$0.434	\$0.439		\$0.192	\$0.606
Capital gains	—		—	—	—		—	—
<b>Total</b>	<b>\$0.566</b>		<b>\$0.476</b>	<b>\$0.434</b>	<b>\$0.439</b>		<b>\$0.192</b>	<b>\$0.606</b>
Share value	Before sales charge	After sales charge	Net asset value	Net asset value	Before sales charge	After sales charge	Net asset value	Net asset value
8/31/16	\$14.64	\$15.53	\$14.19	\$14.13	\$14.44	\$14.96	\$14.47	\$14.72
2/28/17	14.73	15.63	14.29	14.28	14.62	15.15	14.92	14.79

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 3/31/17

	Life of Fund	Annual average	5 years	Annual average	3 years	Annual average	1 year	6 months
<b>Class A (12/18/08)</b>								
Before sales charge	162.41%	12.35%	70.41%	11.25%	14.29%	4.55%	6.65%	5.50%
After sales charge	147.32	11.55	60.61	9.94	7.71	2.51	0.52	-0.57
<b>Class B (12/18/08)</b>								
Before CDSC	147.22	11.54	64.19	10.43	11.75	3.77	5.81	5.07
After CDSC	147.22	11.54	62.19	10.16	9.29	3.01	0.81	0.07
<b>Class C (12/18/08)</b>								
Before CDSC	146.63	11.51	64.14	10.42	11.73	3.77	5.80	5.06
After CDSC	146.63	11.51	64.14	10.42	11.73	3.77	4.80	4.06
<b>Class M (12/18/08)</b>								
Before sales charge	151.81	11.79	66.26	10.70	12.59	4.03	6.07	5.19
After sales charge	142.99	11.31	60.44	9.92	8.65	2.80	2.35	1.51
<b>Class R (12/18/08)</b>								
Net asset value	157.00	12.07	68.21	10.96	13.40	4.28	6.33	5.31
<b>Class Y (12/18/08)</b>								
Net asset value	167.90	12.63	72.55	11.53	15.11	4.80	6.85	5.55

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 R	Class Y
Net expenses for the fiscal year ended 8/31/16 <sup>†</sup>	1.31%	2.06%	2.06%	1.81%	1.56%	1.06%
Total annual operating expenses for the fiscal year ended 8/31/16 <sup>†</sup>	1.60%	2.35%	2.35%	2.10%	1.85%	1.35%
Annualized expense ratio for the six-month period ended 2/28/17	1.31%	2.06%	2.06%	1.81%	1.56%	1.06%

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 certain fund expenses through 12/30/17.

† Restated to reflect current fees resulting from a change to the fund's investor servicing arrangements effective September 1, 2016.

### 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 9/1/16 to 2/28/17. 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 R	Class Y
Expenses paid per \$1,000 <sup>†</sup>	\$6.65	\$10.43	\$10.43	\$9.17	\$7.91	\$5.38
Ending value (after expenses)	\$1,046.60	\$1,042.10	\$1,042.70	\$1,044.20	\$1,045.00	\$1,047.80

\* 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 2/28/17. 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 2/28/17, use the following calculation method. To find the value of your investment on 9/1/16, call Putnam at 1-800-225-1581.

#### How to calculate the expenses you paid

**Value of your investment on 9/1/16** ÷ **\$1,000** × **Expenses paid per \$1,000** = **Total expenses paid**

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

**\$10,000** ÷ **\$1,000** × **\$6.65** (see preceding table) = **\$66.50**

## 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 R	Class Y
Expenses paid per \$1,000**	\$6.56	\$10.29	\$10.29	\$9.05	\$7.80	\$5.31
Ending value (after expenses)	\$1,018.30	\$1,014.58	\$1,014.58	\$1,015.82	\$1,017.06	\$1,019.54

\* 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 2/28/17. 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 R shares** are not subject to an initial sales charge or CDSC and are available only to employer-sponsored retirement plans.

**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.

### **MSCI World Telecommunication Services**

**Index (ND)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of

developed markets in the telecommunications sector. Calculated with net dividends (ND), this total return index reflects the reinvestment of dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**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.

## 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](http://putnam.com), and on the SEC's website, [www.sec.gov](http://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](http://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 February 28, 2017, Putnam employees had approximately \$482,000,000 and the Trustees had approximately \$136,000,000 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 2/28/17 (Unaudited)

<b>COMMON STOCKS (95.1%)*</b>	<b>Shares</b>	<b>Value</b>
<b>Diversified telecommunication services (47.2%)</b>		
AT&T, Inc.	102,916	\$4,300,860
Cellnex Telecom, SA 144A (Spain)	51,623	777,410
Com Hem Holding AB (Sweden)	117,524	1,317,598
Euskaltel SA (Spain)	91,868	868,917
Nippon Telegraph & Telephone Corp. (Japan)	18,600	786,582
SFR Group SA (France) †	43,745	1,274,444
Telecom Italia SpA RSP (Italy)	1,703,415	1,135,091
Verizon Communications, Inc.	42,200	2,094,386
		<b>12,555,288</b>
<b>IT Services (4.8%)</b>		
InterXion Holding NV (Netherlands) † <sup>s</sup>	33,200	1,291,480
		<b>1,291,480</b>
<b>Media (18.0%)</b>		
Charter Communications, Inc. Class A †	3,442	1,111,973
Comcast Corp. Class A	27,000	1,010,340
Liberty Global PLC Ser. C (United Kingdom) †	30,000	1,052,700
Lions Gate Entertainment Corp. Class A	19,400	519,338
Lions Gate Entertainment Corp. Class B †	13,700	342,226
Live Nation Entertainment, Inc. †	26,300	747,183
		<b>4,783,760</b>
<b>Wireless telecommunication services (25.1%)</b>		
KDDI Corp. (Japan)	47,300	1,237,391
NTT DoCoMo, Inc. (Japan)	16,200	384,578
SoftBank Corp. (Japan)	23,900	1,778,911
Sprint Corp. † <sup>s</sup>	106,500	938,265
T-Mobile US, Inc. †	24,000	1,500,720
Tim Participacoes SAADR (Brazil)	55,200	856,152
		<b>6,696,017</b>
<b>Total common stocks (cost \$21,090,642)</b>		<b>\$25,326,545</b>
<b>SHORT-TERM INVESTMENTS (8.4%)*</b>		
Putnam Cash Collateral Pool, LLC 0.97% <sup>d</sup>	894,100	\$894,100
Putnam Short Term Investment Fund 0.76% <sup>L</sup>	1,346,119	1,346,119
<b>Total short-term investments (cost \$2,240,219)</b>		<b>\$2,240,219</b>
<b>TOTAL INVESTMENTS</b>		
<b>Total investments (cost \$23,330,861)</b>		<b>\$27,566,764</b>

### Key to holding's abbreviations

ADR American Depository Receipts: represents ownership of foreign securities on deposit with a custodian bank

### 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 September 1, 2016 through February 28, 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 \$26,619,930.



† 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.

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

¶ 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 \$4,426 to cover certain derivative contracts.

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

#### DIVERSIFICATION BY COUNTRY <sup>△</sup>

Distribution of investments by country of risk at the close of the reporting period, excluding collateral received, if any (as a percentage of Portfolio Value):

United States	52.2%	France	4.8%
Japan	15.7	Italy	4.3
Spain	6.2	United Kingdom	3.9
Sweden	4.9	Brazil	3.2
Netherlands	4.8	<b>Total</b>	<b>100.0%</b>

△ Methodology differs from that used for purposes of complying with the fund's policy regarding investments in securities of foreign issuers, as discussed further in the fund's prospectus.

#### FORWARD CURRENCY CONTRACTS at 2/28/17 (aggregate face value \$6,920,504) (Unaudited)

Counterparty	Currency	Contract type	Delivery date	Value	Aggregate face value	Unrealized appreciation/ (depreciation)
<b>Bank of America N.A.</b>						
	Australian Dollar	Buy	4/19/17	\$260,394	\$246,568	\$13,826
	British Pound	Buy	3/16/17	1,062,373	1,078,377	(16,004)
	Canadian Dollar	Sell	4/19/17	1,883	1,862	(21)
	Euro	Sell	3/16/17	205,116	206,672	1,556
	Swedish Krona	Sell	3/16/17	194,857	190,820	(4,037)
<b>Barclays Bank PLC</b>						
	Hong Kong Dollar	Buy	5/17/17	146,652	146,732	(80)
<b>Citibank, N.A.</b>						
	Australian Dollar	Sell	4/19/17	70,000	66,236	(3,764)
	British Pound	Buy	3/16/17	240,427	235,383	5,044
	Danish Krone	Buy	3/16/17	92,680	93,388	(708)
	Euro	Sell	3/16/17	504,787	504,976	189
	Japanese Yen	Buy	5/17/17	75,717	74,956	761
	New Zealand Dollar	Sell	4/19/17	36,179	34,751	(1,428)
<b>Credit Suisse International</b>						
	Canadian Dollar	Buy	4/19/17	89,628	88,605	1,023
	New Zealand Dollar	Buy	4/19/17	83,794	80,477	3,317
	Norwegian Krone	Buy	3/16/17	134,577	134,105	472
	Swedish Krona	Sell	3/16/17	234,267	231,223	(3,044)
	Swiss Franc	Buy	3/16/17	174,377	174,473	(96)

**FORWARD CURRENCY CONTRACTS at 2/28/17 (aggregate face value \$6,920,504) (Unaudited) cont.**

Counterparty	Currency	Contract type	Delivery date	Value	Aggregate face value	Unrealized appreciation/ (depreciation)
<b>Goldman Sachs International</b>						
	Euro	Sell	3/16/17	\$520,157	\$523,760	\$3,603
	Japanese Yen	Buy	5/17/17	118,894	117,619	1,275
	New Zealand Dollar	Buy	4/19/17	59,339	56,983	2,356
<b>HSBC Bank USA, National Association</b>						
	Canadian Dollar	Buy	4/19/17	88,950	87,943	1,007
<b>JPMorgan Chase Bank N.A.</b>						
	Australian Dollar	Buy	4/19/17	45,952	43,491	2,461
	British Pound	Sell	3/16/17	27,555	27,084	(471)
	Canadian Dollar	Buy	4/19/17	137,455	135,908	1,547
	Euro	Buy	3/16/17	78,124	79,066	(942)
	Japanese Yen	Buy	5/17/17	105,052	103,980	1,072
	Norwegian Krone	Buy	3/16/17	117,255	116,880	375
	Singapore Dollar	Buy	5/17/17	509,854	507,562	2,292
	Swedish Krona	Sell	3/16/17	164,692	154,310	(10,382)
	Swiss Franc	Buy	3/16/17	5,381	5,382	(1)
<b>State Street Bank and Trust Co.</b>						
	Australian Dollar	Buy	4/19/17	178,140	168,614	9,526
	British Pound	Buy	3/16/17	63,551	66,693	(3,142)
	Canadian Dollar	Sell	4/19/17	34,721	34,322	(399)
	Israeli Shekel	Buy	4/19/17	122,457	115,774	6,683
	Norwegian Krone	Buy	3/16/17	40,859	40,714	145
	Swedish Krona	Sell	3/16/17	274,642	271,012	(3,630)
<b>UBSAG</b>						
	Canadian Dollar	Buy	4/19/17	202,529	200,198	2,331
	Swiss Franc	Buy	3/16/17	105,323	105,381	(58)
<b>WestPac Banking Corp.</b>						
	Australian Dollar	Buy	4/19/17	49,551	46,903	2,648
	Canadian Dollar	Buy	4/19/17	161,707	159,850	1,857
	Japanese Yen	Sell	5/17/17	163,227	161,471	(1,756)
<b>Total</b>						<b>\$15,403</b>

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	\$4,783,760	\$—	\$—
Information technology	1,291,480	—	—
Telecommunication services	19,251,305	—	—
<b>Total common stocks</b>	<b>25,326,545</b>	<b>—</b>	<b>—</b>
Short-term investments	1,346,119	894,100	—
<b>Totals by level</b>	<b>\$26,672,664</b>	<b>\$894,100</b>	<b>\$—</b>

Other financial instruments:	Valuation inputs		
	Level 1	Level 2	Level 3
Forward currency contracts	\$—	\$15,403	\$—
<b>Totals by level</b>	<b>\$—</b>	<b>\$15,403</b>	<b>\$—</b>

\* 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 (other than certain transfers involving non-U.S. equity securities as described in Note 1), 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 2/28/17 (Unaudited)

### ASSETS

Investment in securities, at value, including \$851,778 of securities on loan (Note 1):	
Unaffiliated issuers (identified cost \$21,090,642)	\$25,326,545
Affiliated issuers (identified cost \$2,240,219) (Notes 1 and 5)	2,240,219
Interest and other receivables	2,657
Foreign tax reclaim	590
Receivable for shares of the fund sold	10,379
Receivable from Manager (Note 2)	13,383
Unrealized appreciation on forward currency contracts (Note 1)	65,366
Prepaid assets	52,590
<b>Total assets</b>	<b>27,711,729</b>

### LIABILITIES

Payable for shares of the fund repurchased	69,149
Payable for custodian fees (Note 2)	7,338
Payable for investor servicing fees (Note 2)	10,364
Payable for Trustee compensation and expenses (Note 2)	3,673
Payable for administrative services (Note 2)	116
Payable for distribution fees (Note 2)	11,699
Unrealized depreciation on forward currency contracts (Note 1)	49,963
Collateral on securities loaned, at value (Note 1)	894,100
Other accrued expenses	45,397
<b>Total liabilities</b>	<b>1,091,799</b>
<b>Net assets</b>	<b>\$26,619,930</b>

### REPRESENTED BY

Paid-in capital (Unlimited shares authorized) (Notes 1 and 4)	\$24,860,632
Distributions in excess of net investment income (Note 1)	(293,471)
Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(2,198,531)
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	4,251,300
<b>Total — Representing net assets applicable to capital shares outstanding</b>	<b>\$26,619,930</b>

### COMPUTATION OF NET ASSET VALUE AND OFFERING PRICE

Net asset value and redemption price per class A share (\$15,780,967 divided by 1,071,568 shares)	\$14.73
Offering price per class A share (100/94.25 of \$14.73)*	\$15.63
Net asset value and offering price per class B share (\$2,730,912 divided by 191,060 shares)**	\$14.29
Net asset value and offering price per class C share (\$3,521,329 divided by 246,643 shares)**	\$14.28
Net asset value and redemption price per class M share (\$58,492 divided by 4,001 shares)	\$14.62
Offering price per class M share (100/96.50 of \$14.62)*	\$15.15
Net asset value, offering price and redemption price per class R share (\$460,185 divided by 30,836 shares)	\$14.92
Net asset value, offering price and redemption price per class Y share (\$4,068,045 divided by 275,093 shares)	\$14.79

\*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 2/28/17 (Unaudited)

<b>INVESTMENT INCOME</b>	
Dividends (net of foreign tax of \$9,135)	\$248,642
Interest (including interest income of \$1,932 from investments in affiliated issuers) (Note 5)	1,932
Securities lending (net of expenses) (Notes 1 and 5)	4,470
<b>Total investment income</b>	<b>255,044</b>
<b>EXPENSES</b>	
Compensation of Manager (Note 2)	89,581
Investor servicing fees (Note 2)	32,975
Custodian fees (Note 2)	6,044
Trustee compensation and expenses (Note 2)	757
Distribution fees (Note 2)	56,753
Administrative services (Note 2)	485
Auditing and tax fees	24,051
Blue sky expense	37,511
Other	12,858
Fees waived and reimbursed by Manager (Note 2)	(52,822)
<b>Total expenses</b>	<b>208,193</b>
Expense reduction (Note 2)	(10)
<b>Net expenses</b>	<b>208,183</b>
<b>Net investment income</b>	<b>46,861</b>
Net realized loss on investments (Notes 1 and 3)	(832,953)
Net realized gain on foreign currency transactions (Note 1)	209,965
Net unrealized depreciation of assets and liabilities in foreign currencies during the period	(77,700)
Net unrealized appreciation of investments during the period	1,747,355
<b>Net gain on investments</b>	<b>1,046,667</b>
<b>Net increase in net assets resulting from operations</b>	<b>\$1,093,528</b>

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

## Statement of changes in net assets

INCREASE (DECREASE) IN NET ASSETS	Six months ended 2/28/17*	Year ended 8/31/16
<b>Operations</b>		
Net investment income	\$46,861	\$1,021,166
Net realized loss on investments and foreign currency transactions	(622,988)	(1,567,708)
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	1,669,655	1,639,980
<b>Net increase in net assets resulting from operations</b>	<b>1,093,528</b>	<b>1,093,438</b>
Distributions to shareholders (Note 1):		
From ordinary income		
Net investment income		
Class A	(612,738)	(212,811)
Class B	(89,791)	(10,518)
Class C	(113,624)	(40,913)
Class M	(1,278)	(1,254)
Class R	(6,402)	(41,087)
Class Y	(170,677)	(107,318)
Net realized short-term gain on investments		
Class A	—	(19,489)
Class B	—	(1,534)
Class C	—	(5,869)
Class M	—	(166)
Class R	—	(3,684)
Class Y	—	(8,323)
From net realized long-term gain on investments		
Class A	—	(518,043)
Class B	—	(40,785)
Class C	—	(156,008)
Class M	—	(4,412)
Class R	—	(97,934)
Class Y	—	(221,236)
Increase (decrease) from capital share transactions (Note 4)	(6,496,059)	5,052,906
<b>Total increase (decrease) in net assets</b>	<b>(6,397,041)</b>	<b>4,654,960</b>

### NET ASSETS

Beginning of period	33,016,971	28,362,011
<b>End of period</b> (including distributions in excess of net investment income of \$293,471 and undistributed net investment income of \$654,178, respectively)	<b>\$26,619,930</b>	<b>\$33,016,971</b>

\* Unaudited.

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

**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) <sup>a</sup>	Net realized and unrealized gain (loss) on investments	Total from investment operations	From net investment income	From net realized gain on investments	Total distributions	Redemption fees	Net asset value, end of period	Total return at net asset value (%) <sup>b</sup>	Net assets, end of period (in thousands)	Ratio of expenses to average net assets (%) <sup>c,d</sup>	Ratio of net investment income (loss) to average net assets (%) <sup>c</sup>	Portfolio turnover (%)
<b>Class A</b>														
February 28, 2017**	\$14.64	.03 <sup>e</sup>	.63	.66	(.57)	—	(.57)	—	\$14.73	4.66*	\$15,781	.65*	.22* <sup>e</sup>	32*
August 31, 2016	14.89	.44 <sup>g</sup>	(.03)	.41	(.19)	(.47)	(.66)	—	14.64	2.89	17,135	1.28 <sup>f</sup>	3.05 <sup>fg</sup>	49
August 31, 2015	17.87	.15	.74	.89	(2.05)	(1.82)	(3.87)	—	14.89	5.79	16,941	1.26	.93	64
August 31, 2014	16.68	1.90 <sup>h</sup>	.52	2.42	(.11)	(1.12)	(1.23)	—	17.87	14.43	15,365	1.29	10.46 <sup>h</sup>	75
August 31, 2013	14.46	.32	2.26	2.58	(.26)	(.10)	(.36)	— <sup>i</sup>	16.68	18.21	14,179	1.36	2.03	63
August 31, 2012	13.13	.35	1.59	1.94	(.45)	(.16)	(.61)	— <sup>i</sup>	14.46	15.60	9,831	1.41	2.61	38
<b>Class B</b>														
February 28, 2017**	\$14.19	(.02) <sup>e</sup>	.60	.58	(.48)	—	(.48)	—	\$14.29	4.21*	\$2,731	1.02*	(.16)* <sup>e</sup>	32*
August 31, 2016	14.49	.40 <sup>g</sup>	(.11)	.29	(.12)	(.47)	(.59)	—	14.19	2.11	2,841	2.03 <sup>f</sup>	2.84 <sup>fg</sup>	49
August 31, 2015	17.44	.04	.71	.75	(1.88)	(1.82)	(3.70)	—	14.49	5.03	1,017	2.01	.29	64
August 31, 2014	16.34	1.58 <sup>h</sup>	.65	2.23	(.01)	(1.12)	(1.13)	—	17.44	13.56	796	2.04	8.84 <sup>h</sup>	75
August 31, 2013	14.22	.20	2.22	2.42	(.20)	(.10)	(.30)	— <sup>i</sup>	16.34	17.29	637	2.11	1.32	63
August 31, 2012	12.94	.23	1.59	1.82	(.38)	(.16)	(.54)	— <sup>i</sup>	14.22	14.79	377	2.16	1.79	38
<b>Class C</b>														
February 28, 2017**	\$14.13	(.02) <sup>e</sup>	.60	.58	(.43)	—	(.43)	—	\$14.28	4.27*	\$3,521	1.02*	(.14)* <sup>e</sup>	32*
August 31, 2016	14.44	.32 <sup>g</sup>	(.04)	.28	(.12)	(.47)	(.59)	—	14.13	2.06	4,481	2.03 <sup>f</sup>	2.28 <sup>fg</sup>	49
August 31, 2015	17.46	.04	.71	.75	(1.95)	(1.82)	(3.77)	—	14.44	5.01	4,338	2.01	.23	64
August 31, 2014	16.34	1.47 <sup>h</sup>	.77	2.24	—	(1.12)	(1.12)	—	17.46	13.61	1,754	2.04	8.24 <sup>h</sup>	75
August 31, 2013	14.18	.21	2.21	2.42	(.16)	(.10)	(.26)	— <sup>i</sup>	16.34	17.34	1,005	2.11	1.37	63
August 31, 2012	12.94	.24	1.57	1.81	(.41)	(.16)	(.57)	— <sup>i</sup>	14.18	14.72	1,049	2.16	1.81	38
<b>Class M</b>														
February 28, 2017**	\$14.44	(.01) <sup>e</sup>	.63	.62	(.44)	—	(.44)	—	\$14.62	4.42*	\$58	.90*	(.06)* <sup>e</sup>	32*
August 31, 2016	14.72	.33 <sup>g</sup>	(.01)	.32	(.13)	(.47)	(.60)	—	14.44	2.30	56	1.78 <sup>f</sup>	2.34 <sup>fg</sup>	49
August 31, 2015	17.69	.10	.71	.81	(1.96)	(1.82)	(3.78)	—	14.72	5.30	143	1.76	.61	64
August 31, 2014	16.53	1.73 <sup>h</sup>	.58	2.31	(.03)	(1.12)	(1.15)	—	17.69	13.91	65	1.79	9.56 <sup>h</sup>	75
August 31, 2013	14.35	.23	2.25	2.48	(.20)	(.10)	(.30)	— <sup>i</sup>	16.53	17.58	45	1.86	1.50	63
August 31, 2012	13.05	.28	1.58	1.86	(.40)	(.16)	(.56)	— <sup>i</sup>	14.35	14.98	40	1.91	2.10	38
<b>Class R</b>														
February 28, 2017**	\$14.47	.04 <sup>e</sup>	.60	.64	(.19)	—	(.19)	—	\$14.92	4.50*	\$460	.77*	.30* <sup>e</sup>	32*
August 31, 2016	14.77	.42 <sup>g</sup>	(.06)	.36	(.19)	(.47)	(.66)	—	14.47	2.60	3,205	1.53 <sup>f</sup>	2.97 <sup>fg</sup>	49
August 31, 2015	17.73	.12	.72	.84	(1.98)	(1.82)	(3.80)	—	14.77	5.52	584	1.51	.74	64
August 31, 2014	16.57	1.76 <sup>h</sup>	.61	2.37	(.09)	(1.12)	(1.21)	—	17.73	14.21	536	1.54	9.75 <sup>h</sup>	75
August 31, 2013	14.39	.28	2.24	2.52	(.24)	(.10)	(.34)	— <sup>i</sup>	16.57	17.87	308	1.61	1.76	63
August 31, 2012	13.11	.32	1.58	1.90	(.46)	(.16)	(.62)	— <sup>i</sup>	14.39	15.30	117	1.66	2.39	38

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.

Period ended	INVESTMENT OPERATIONS				LESS DISTRIBUTIONS				RATIOS AND SUPPLEMENTAL DATA					
	Net asset value, beginning of period	Net investment income (loss) <sup>a</sup>	Net realized and unrealized gain (loss) on investments	Total from investment operations	From net investment income	From net realized gain on investments	Total distributions	Redemption fees	Net asset value, end of period	Total return at net asset value (%) <sup>b</sup>	Net assets, end of period (in thousands)	Ratio of expenses to average net assets (%) <sup>c, d</sup>	Ratio of net investment income (loss) to average net assets (%) <sup>c</sup>	Portfolio turnover (%)
<b>Class Y</b>														
February 28, 2017**	\$14.72	.05 <sup>e</sup>	.63	.68	(.61)	—	(.61)	—	\$14.79	4.78*	\$4,068	.52*	.36* <sup>e</sup>	32*
August 31, 2016	14.97	.46 <sup>g</sup>	(.02)	.44	(.22)	(.47)	(.69)	—	14.72	3.12	5,299	1.03 <sup>f</sup>	3.17 <sup>f, g</sup>	49
August 31, 2015	17.96	.19	.74	.93	(2.10)	(1.82)	(3.92)	—	14.97	6.07	5,338	1.01	1.23	64
August 31, 2014	16.74	1.94 <sup>h</sup>	.54	2.48	(.14)	(1.12)	(1.26)	—	17.96	14.78	3,983	1.04	10.58 <sup>h</sup>	75
August 31, 2013	14.52	.38	2.23	2.61	(.29)	(.10)	(.39)	— <sup>i</sup>	16.74	18.40	3,739	1.11	2.44	63
August 31, 2012	13.17	.31	1.68	1.99	(.48)	(.16)	(.64)	— <sup>i</sup>	14.52	15.99	2,198	1.16	2.30	38

\* Not annualized.

\*\* Unaudited.

<sup>a</sup> Per share net investment income has been determined on the basis of the weighted average number of shares outstanding during the period.

<sup>b</sup> Total return assumes dividend reinvestment and does not reflect the effect of sales charges.

<sup>c</sup> 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 amounts (Note 2):

	Percentage of average net assets
February 28, 2017	0.18%
August 31, 2016	0.29
August 31, 2015	0.53
August 31, 2014	0.39
August 31, 2013	0.31
August 31, 2012	0.67

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

<sup>e</sup> Reflects a dividend received by the fund from a single issuer which amounted to the following amounts:

	Per share	Percentage of average net assets
Class A	\$0.02	0.17%
Class B	0.02	0.16
Class C	0.02	0.17
Class M	0.03	0.18
Class R	0.05	0.34
Class Y	0.03	0.18

<sup>f</sup> Reflects a voluntary waiver of certain fund expenses in effect during the period. As a result of such waivers, the expenses of each class reflect a reduction of less than 0.01% as a percentage of average net assets.

<sup>g</sup> Reflects a dividend received by the fund from a single issuer which amounted to the following amounts:

	Per share	Percentage of average net assets
Class A	\$0.17	1.20%
Class B	0.25	1.79
Class C	0.16	1.17
Class M	0.11	0.74
Class R	0.19	1.31
Class Y	0.14	0.94

<sup>h</sup> Reflects a dividend received by the fund from a single issuer which amounted to the following amounts:

	Per share	Percentage of average net assets
Class A	\$1.77	9.73%
Class B	1.56	8.74
Class C	1.45	8.12
Class M	1.67	9.23
Class R	1.66	9.17
Class Y	1.75	9.54

<sup>i</sup> Amount represents less than \$0.01 per share.

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



## Notes to financial statements 2/28/17 (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 September 1, 2016 through February 28, 2017.

Putnam Global Telecommunications Fund (the fund) is a non-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 capital appreciation. The fund concentrates in the telecommunications industries and invests mainly in common stocks (growth or value stocks or both) of large and midsize companies worldwide that Putnam Management believes have favorable investment potential. Under normal circumstances, Putnam Management invests at least 80% of the fund’s net assets in securities of companies in the telecommunication industries. This policy may be changed only after 60 days’ notice to shareholders. Potential investments include companies that develop, manufacture or sell communications services or communications equipment, and companies that bundle video with communications services. The fund may purchase stocks of companies with stock prices that reflect a value lower than that which Putnam Management places on the company. Putnam Management may also consider other factors that it believes will cause the stock price to rise. 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 when deciding whether to buy or sell investments. The fund may also use derivatives, such as futures, options, certain foreign currency transactions, warrants and swap contracts, for both hedging and non-hedging purposes, and may engage in short sales of securities.

The fund offers class A, class B, class C, class M, class R and class Y shares. The fund registered class T shares in February 2017, however, as of the date of this report, class T shares had not commenced operations and are not available for purchase. 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, class R 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. Class R shares, which are not available to all investors, are sold at net asset value. The expenses for class A, class B, class C, class M and class R 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, class M and class R 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.

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. Short-term securities with remaining maturities of 60 days or less are valued using an independent pricing service approved by the Trustees, and are classified as Level 2 securities.

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.

**Foreign currency translation** The accounting records of the fund are maintained in U.S. dollars. The fair value of foreign securities, currency holdings, and other assets and liabilities is recorded in the books and records of the fund after translation to U.S. dollars based on the exchange rates on that day. The cost of each security is determined using historical exchange rates. Income and withholding taxes are translated at prevailing exchange rates when earned or incurred. The fund does not isolate that portion of realized or unrealized gains or losses resulting from changes in the foreign exchange rate on investments from fluctuations arising from changes in the market prices of the securities. Such gains and losses are included with the net realized and unrealized gain or loss on investments. Net realized gains and losses on foreign currency transactions represent net realized exchange gains or losses on closed forward currency contracts, disposition of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions and the difference between the amount of investment income and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized appreciation and depreciation of assets and liabilities in foreign currencies arise from changes in the value of open forward currency contracts and assets and liabilities other than investments at the period end, resulting from changes in the exchange rate.

**Forward currency contracts** The fund buys and sells forward currency contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These contracts are used to hedge foreign exchange risk.

The U.S. dollar value of forward currency contracts is determined using current forward currency exchange rates supplied by a quotation service. The fair value of the contract will fluctuate with changes in currency exchange rates. The contract is marked to market daily and the change in fair value is recorded as an unrealized gain or loss. The fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed when the contract matures or by delivery of the currency. The fund could be exposed to risk if the value of the currency changes unfavorably, if the counterparties to the contracts are unable to meet the terms of their contracts or if the fund is unable to enter into a closing position. Risks may exceed amounts recognized on the Statement of assets and liabilities.

Forward currency 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 had a net liability position of \$8,809 on open derivative contracts subject to the Master Agreements. There was no collateral posted by the fund at period end for these 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 \$894,100 and the value of securities loaned amounted to \$851,778.

**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 fund may also be subject to taxes imposed by governments of countries in which it invests. Such taxes are generally based on either income or gains earned or repatriated. The fund accrues and applies such taxes to net investment income, net realized gains and net unrealized gains as income and/or capital gains are earned. In some cases, the fund may be entitled to reclaim all or a portion of such taxes, and such reclaim amounts, if any, are reflected as an asset on the fund's books. In many cases, however, the fund may not receive such amounts for an extended period of time, depending on the country of investment.

Pursuant to federal income tax regulations applicable to regulated investment companies, the fund has elected to defer certain capital losses of \$486,054 recognized during the period between November 1, 2015 and August 31, 2016 to its fiscal year ending August 31, 2017.

The aggregate identified cost on a tax basis is \$24,380,125, resulting in gross unrealized appreciation and depreciation of \$3,752,994 and \$566,355, respectively, or net unrealized appreciation of \$3,186,639.

**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 0.310% of the fund’s average net assets.

Putnam Management has contractually agreed, through December 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 \$52,822 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. Putnam Management pays 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 Putnam Advisory Company, LLC (PAC), an affiliate of Putnam Management, is authorized by the Trustees to manage a separate portion of the assets of the fund, as designated from time to time by Putnam Management or PIL. PAC did not manage any portion of the assets of the fund during the reporting period. If Putnam Management or PIL were to engage the services of PAC, Putnam Management or PIL, as applicable, would pay a quarterly sub-advisory fee to PAC for its services at the annual rate of 0.35% of the average net assets of the portion of the fund’s assets for which PAC is engaged as sub-adviser.

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, class R 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.

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

Class A	\$18,532	Class R	1,671
Class B	3,107	Class Y	5,121
Class C	4,486	<b>Total</b>	<b>\$32,975</b>
Class M	58		

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. The fund also reduced expenses through brokerage/service arrangements. For the reporting period, the fund's expenses were reduced by \$10 under the expense offset arrangements and by no monies under the brokerage/service arrangements.

Each Independent Trustee of the fund receives an annual Trustee fee, of which \$21, as a quarterly retainer, has been allocated to the fund, and an additional fee for each Trustees 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%	\$20,023
Class B	1.00%	1.00%	13,426
Class C	1.00%	1.00%	19,405
Class M	1.00%	0.75%	189
Class R	1.00%	0.50%	3,710
<b>Total</b>			<b>\$56,753</b>

For the reporting period, Putnam Retail Management Limited Partnership, acting as underwriter, received net commissions of \$3,451 and \$7 from the sale of class A and class M shares, respectively, and received \$827 and \$4 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)	\$9,177,049	\$17,243,867
U.S. government securities (Long-term)	—	—
<b>Total</b>	<b>\$9,177,049</b>	<b>\$17,243,867</b>

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.

**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 2/28/17		YEAR ENDED 8/31/16	
	Shares	Amount	Shares	Amount
Shares sold	62,519	\$905,578	1,048,052	\$15,165,983
Shares issued in connection with reinvestment of distributions	41,984	591,551	51,157	729,493
	104,503	1,497,129	1,099,209	15,895,476
Shares repurchased	(203,495)	(2,935,429)	(1,066,051)	(15,459,470)
<b>Net increase (decrease)</b>	<b>(98,992)</b>	<b>\$(1,438,300)</b>	<b>33,158</b>	<b>\$436,006</b>

Class B	SIX MONTHS ENDED 2/28/17		YEAR ENDED 8/31/16	
	Shares	Amount	Shares	Amount
Shares sold	11,815	\$166,480	138,650	\$1,907,838
Shares issued in connection with reinvestment of distributions	4,636	63,470	3,770	52,372
	16,451	229,950	142,420	1,960,210
Shares repurchased	(25,653)	(361,913)	(12,369)	(174,389)
<b>Net increase (decrease)</b>	<b>(9,202)</b>	<b>\$(131,963)</b>	<b>130,051</b>	<b>\$1,785,821</b>

Class C	SIX MONTHS ENDED 2/28/17		YEAR ENDED 8/31/16	
	Shares	Amount	Shares	Amount
Shares sold	6,800	\$95,635	111,594	\$1,552,544
Shares issued in connection with reinvestment of distributions	7,760	106,075	14,264	197,273
	14,560	201,710	125,858	1,749,817
Shares repurchased	(85,091)	(1,185,264)	(109,228)	(1,522,953)
<b>Net increase (decrease)</b>	<b>(70,531)</b>	<b>\$(983,554)</b>	<b>16,630</b>	<b>\$226,864</b>

Class M	SIX MONTHS ENDED 2/28/17		YEAR ENDED 8/31/16	
	Shares	Amount	Shares	Amount
Shares sold	1,053	\$15,308	3,635	\$51,245
Shares issued in connection with reinvestment of distributions	91	1,278	413	5,831
	1,144	16,586	4,048	57,076
Shares repurchased	(1,037)	(14,192)	(9,840)	(137,750)
<b>Net increase (decrease)</b>	<b>107</b>	<b>\$2,394</b>	<b>(5,792)</b>	<b>\$(80,674)</b>

Class R	SIX MONTHS ENDED 2/28/17		YEAR ENDED 8/31/16	
	Shares	Amount	Shares	Amount
Shares sold	6,186	\$89,762	207,673	\$3,069,234
Shares issued in connection with reinvestment of distributions	341	4,876	959	13,540
	6,527	94,638	208,632	3,082,774
Shares repurchased	(197,176)	(2,807,970)	(26,714)	(383,973)
<b>Net increase (decrease)</b>	<b>(190,649)</b>	<b>\$(2,713,332)</b>	<b>181,918</b>	<b>\$2,698,801</b>

Class Y	SIX MONTHS ENDED 2/28/17		YEAR ENDED 8/31/16	
	Shares	Amount	Shares	Amount
Shares sold	36,789	\$533,277	434,522	\$6,272,606
Shares issued in connection with reinvestment of distributions	11,949	168,956	23,497	336,245
	48,738	702,233	458,019	6,608,851
Shares repurchased	(133,657)	(1,933,537)	(454,629)	(6,622,763)
<b>Net increase (decrease)</b>	<b>(84,919)</b>	<b>\$(1,231,304)</b>	<b>3,390</b>	<b>\$(13,912)</b>

#### 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*	\$1,179,750	\$10,088,438	\$10,374,088	\$5,327	\$894,100
Putnam Short Term Investment Fund**	537,391	9,081,057	8,272,329	1,932	1,346,119
<b>Totals</b>	<b>\$1,717,141</b>	<b>\$19,169,495</b>	<b>\$18,646,417</b>	<b>\$7,259</b>	<b>\$2,240,219</b>

\* No management fees are charged to Putnam Cash Collateral Pool, LLC.

\*\* 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. Investments in foreign securities involve certain risks, including those related to economic instability, unfavorable political developments, and currency fluctuations. The fund concentrates a majority of its investments in the telecommunications sector, which involves more risk than a fund that invests more broadly.

**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:

Forward currency contracts (contract amount)	\$14,100,000
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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
Foreign exchange contracts	Receivables	\$65,366	Payables	\$49,963
<b>Total</b>		<b>\$65,366</b>		<b>\$49,963</b>

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	Forward currency contracts	Total
Foreign exchange contracts	\$219,289	\$219,289
<b>Total</b>	<b>\$219,289</b>	<b>\$219,289</b>

**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	Forward currency contracts	Total
Foreign exchange contracts	\$(77,694)	\$(77,694)
<b>Total</b>	<b>\$(77,694)</b>	<b>\$(77,694)</b>

**Note 8: 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.

### Note 9: 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.	Bardays Bank PLC	Citibank, N.A.	Credit Suisse International	Goldman Sachs International	HSBC Bank USA, National Association	JPMorgan Chase Bank N.A.	State Street Bank and Trust Co.	UBS AG	WestPac Banking Corp.	Total
<b>Assets:</b>											
Forward currency contracts#	\$15,382	\$—	\$5,994	\$4,812	\$7,234	\$1,007	\$7,747	\$16,354	\$2,331	\$4,505	\$65,366
<b>Total Assets</b>	<b>\$15,382</b>	<b>\$—</b>	<b>\$5,994</b>	<b>\$4,812</b>	<b>\$7,234</b>	<b>\$1,007</b>	<b>\$7,747</b>	<b>\$16,354</b>	<b>\$2,331</b>	<b>\$4,505</b>	<b>\$65,366</b>
<b>Liabilities:</b>											
Forward currency contracts#	20,062	80	5,900	3,140	—	—	11,796	7,171	58	1,756	49,963
<b>Total Liabilities</b>	<b>\$20,062</b>	<b>\$80</b>	<b>\$5,900</b>	<b>\$3,140</b>	<b>\$—</b>	<b>\$—</b>	<b>\$11,796</b>	<b>\$7,171</b>	<b>\$58</b>	<b>\$1,756</b>	<b>\$49,963</b>
<b>Total Financial and Derivative Net Assets</b>	<b>\$(4,680)</b>	<b>\$(80)</b>	<b>\$94</b>	<b>\$1,672</b>	<b>\$7,234</b>	<b>\$1,007</b>	<b>\$(4,049)</b>	<b>\$9,183</b>	<b>\$2,273</b>	<b>\$2,749</b>	<b>\$15,403</b>
Total collateral received (pledged)†##	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Net amount	\$(4,680)	\$(80)	\$94	\$1,672	\$7,234	\$1,007	\$(4,049)	\$9,183	\$2,273	\$2,749	\$15,403

† 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.

## Services for shareholders

### Investor services

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**Systematic investment plan** Tell us how much you wish to invest regularly — weekly, semimonthly, or monthly — and the amount you choose will be transferred automatically from your checking or savings account. There's no additional fee for this service, and you can suspend it at any time. This plan may be a great way to save for college expenses or to plan for your retirement.

Please note that regular investing does not guarantee a profit or protect against loss in a declining market. Before arranging a systematic investment plan, consider your financial ability to continue making purchases in periods when prices are low.

**Systematic exchange** You can make regular transfers from one Putnam fund to another Putnam fund. There are no additional fees for this service, and you can cancel or change your options at any time.

**Dividends PLUS** You can choose to have the dividend distributions from one of your Putnam funds automatically reinvested in another Putnam fund at no additional charge.

**Free exchange privilege** You can exchange money between Putnam funds free of charge, as long as they are the same class of shares. A signature guarantee is required if you are exchanging more than \$500,000. The fund reserves the right to revise or terminate the exchange privilege.

**Reinstatement privilege** If you've sold Putnam shares or received a check for a dividend or capital gain, you may reinvest the proceeds with Putnam within 90 days of the

transaction and they will be reinvested at the fund's current net asset value — with no sales charge. However, reinstatement of class B shares may have special tax consequences. Ask your financial or tax representative for details.

**Check-writing service** You have ready access to many Putnam accounts. It's as simple as writing a check, and there are no special fees or service charges. For more information about the check-writing service, call Putnam or visit our website.

**Dollar cost averaging** When you're investing for long-term goals, it's time, not timing, that counts. Investing on a systematic basis is a better strategy than trying to figure out when the markets will go up or down. This means investing the same amount of money regularly over a long period. This method of investing is called dollar cost averaging. When a fund's share price declines, your investment dollars buy more shares at lower prices. When it increases, they buy fewer shares. Over time, you will pay a lower average price per share.

### For more information

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**Visit the Individual Investors section at [putnam.com](https://www.putnam.com)** A secure section of our website contains complete information on your account, including balances and transactions, updated daily. You may also conduct transactions, such as exchanges, additional investments, and address changes. Log on today to get your password.

**Call us toll free at 1-800-225-1581** Ask a helpful Putnam representative or your financial advisor for details about any of these or other services, or see your prospectus.

## 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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### Marketing Services

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