

# Current municipal landscape and opportunities

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**Paul M. Drury, CFA**  
Portfolio Manager

**Garrett Hamilton, CFA**  
Portfolio Manager

*Moderated by:*  
**Kelly Loughran, CFA**  
Investment Director

**putnam**

# The municipal landscape today

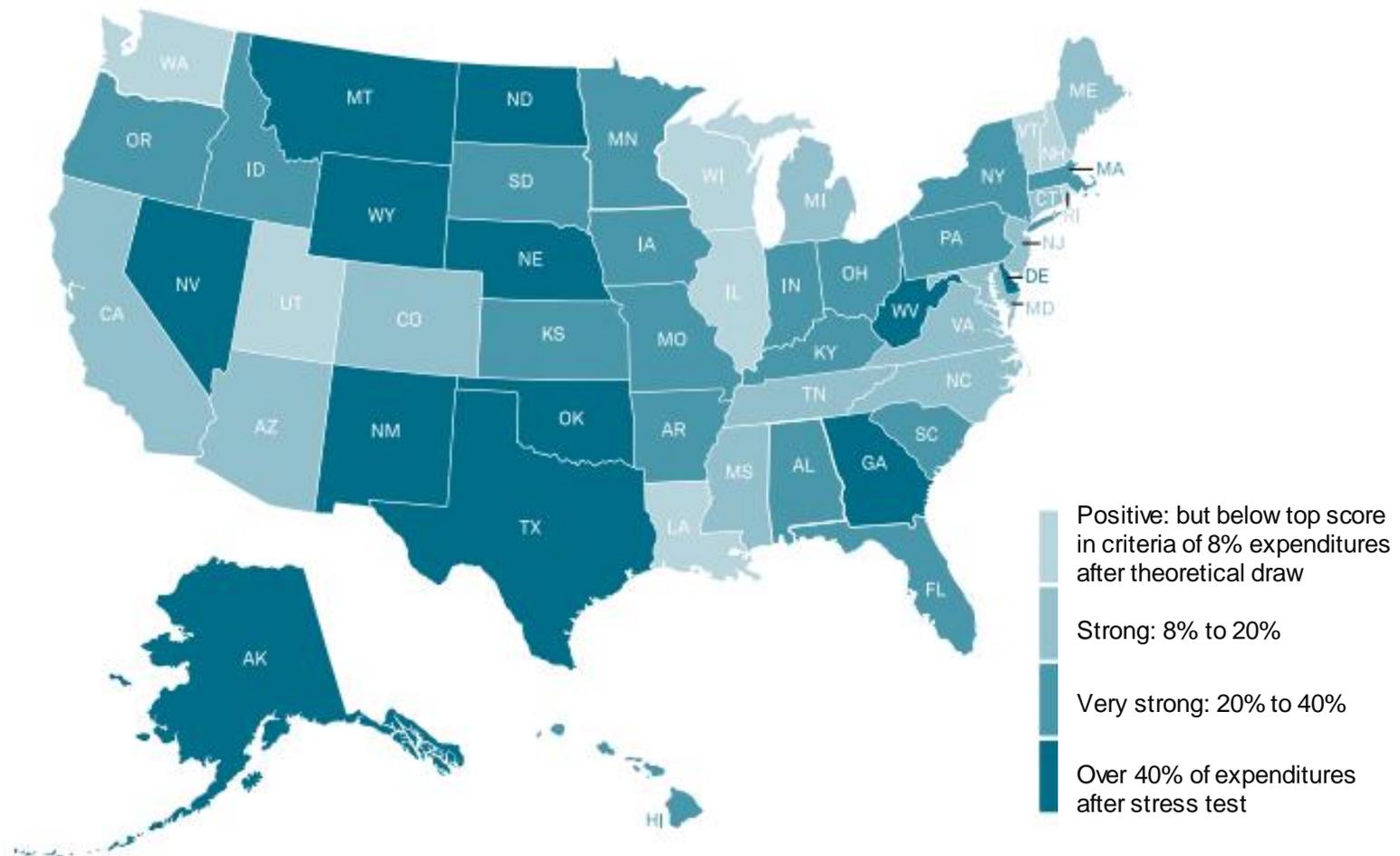
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# Based on S&P analysis, reserves will help support states in a recession

- Balances in rainy day funds hit all-time highs in 37 states by the end of 2022, and overall, they are near their highest point in 30 years at 12% of spending

2023 Reserves Under Base Case Stress Scenario as % of Projected Expenditures

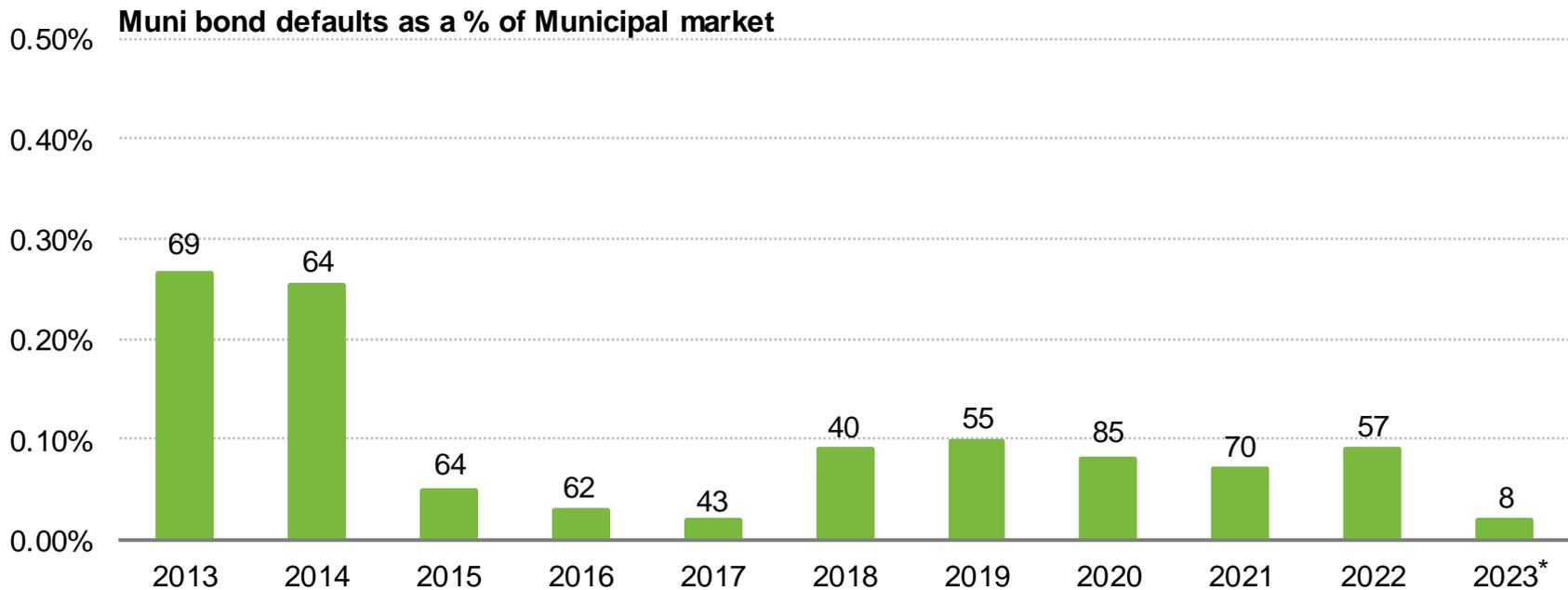


Source: NASBD and S&P Global Ratings January 2023.

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# Municipal bond default rates remain a small percentage of the overall market

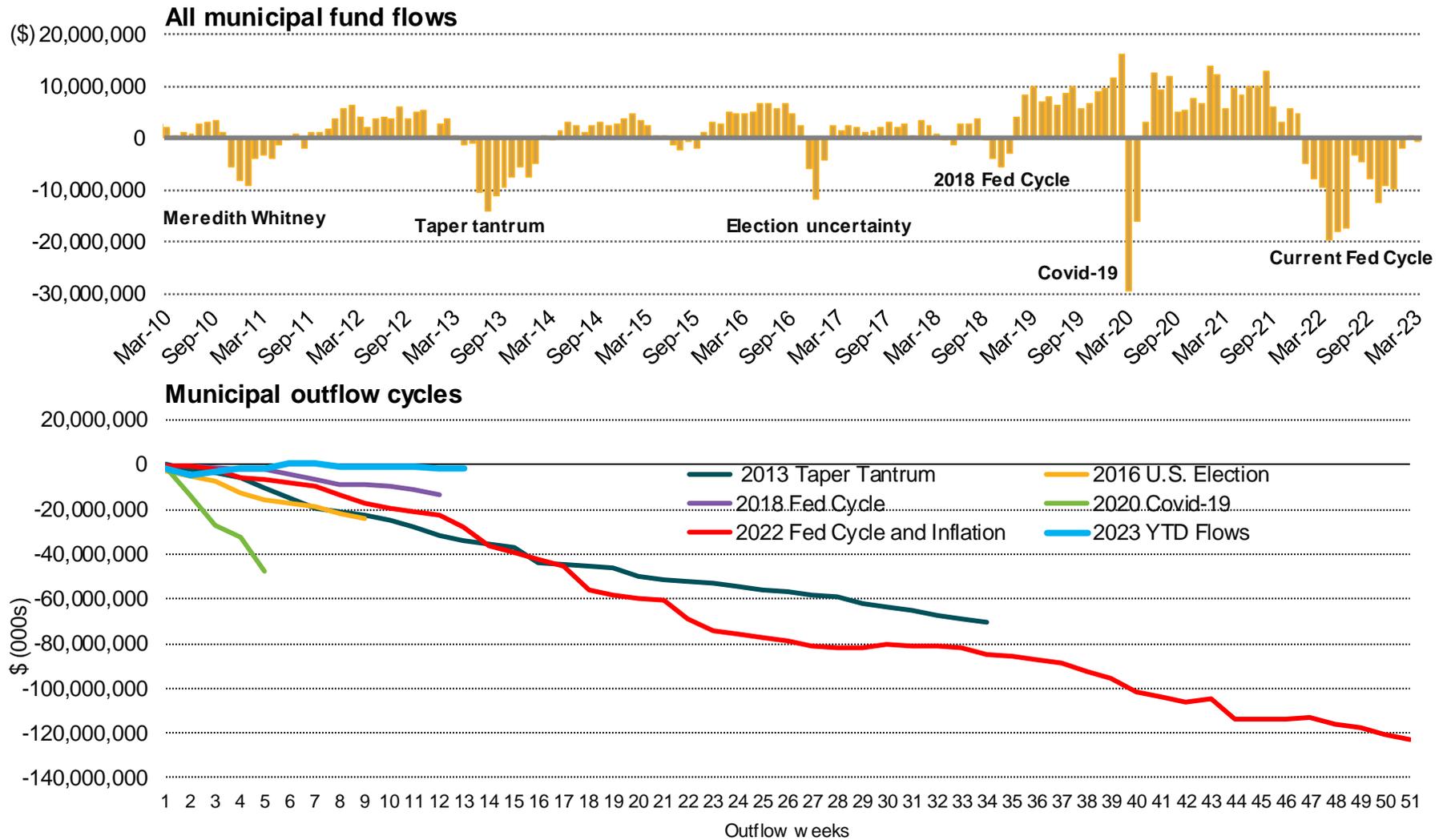
There were zero defaults in March 2023, and that was only the 2nd month since 2009 with no defaults



\*YTD.

Sources: Municipal Market Advisors, Putnam, as of 3/31/23. Data reflects par value ex-PR.

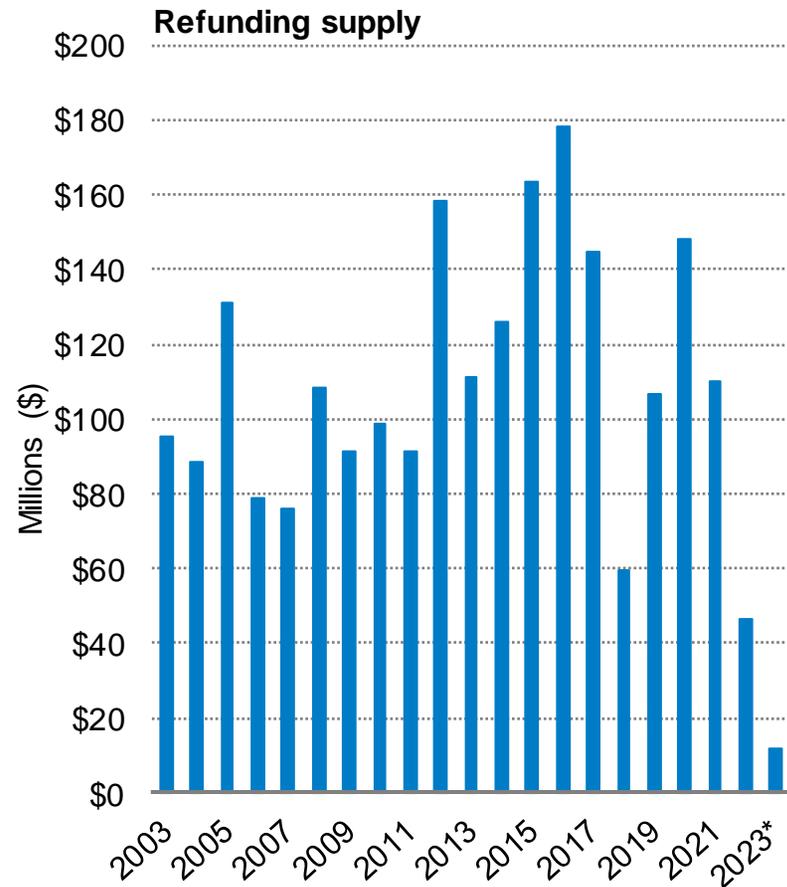
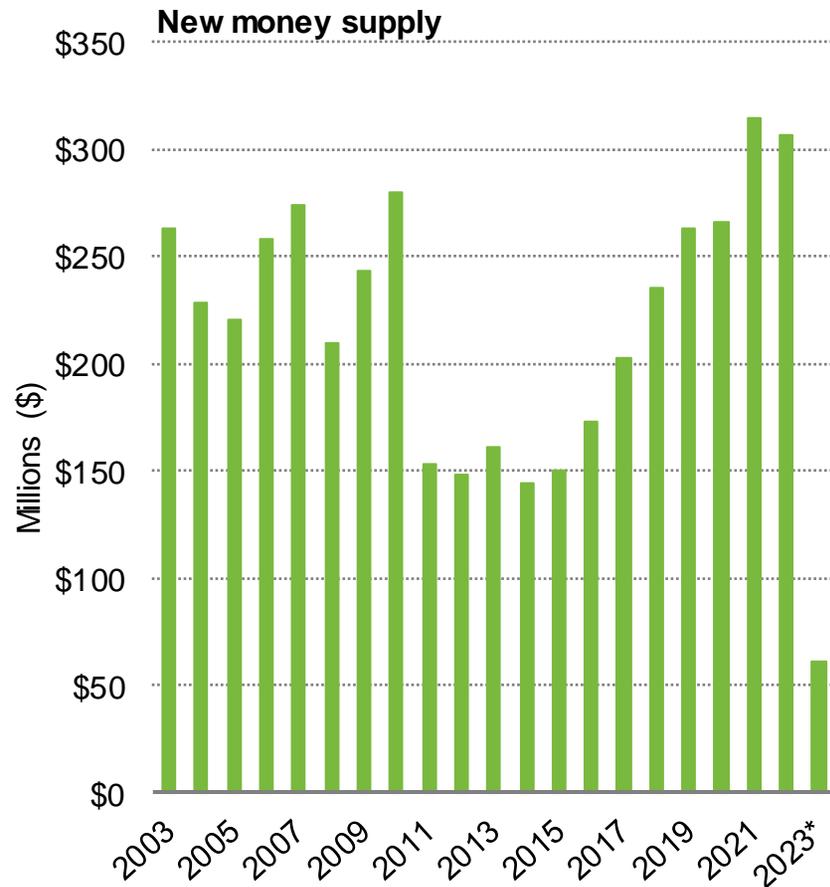
# While outflows dominated the muni market in 2022, outflows have moderated in 2023 and remain manageable



Source: JP Morgan, as of 3/31/23.

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# New money supply and refunding supply are down year-over-year as both muni and Treasury rates have risen

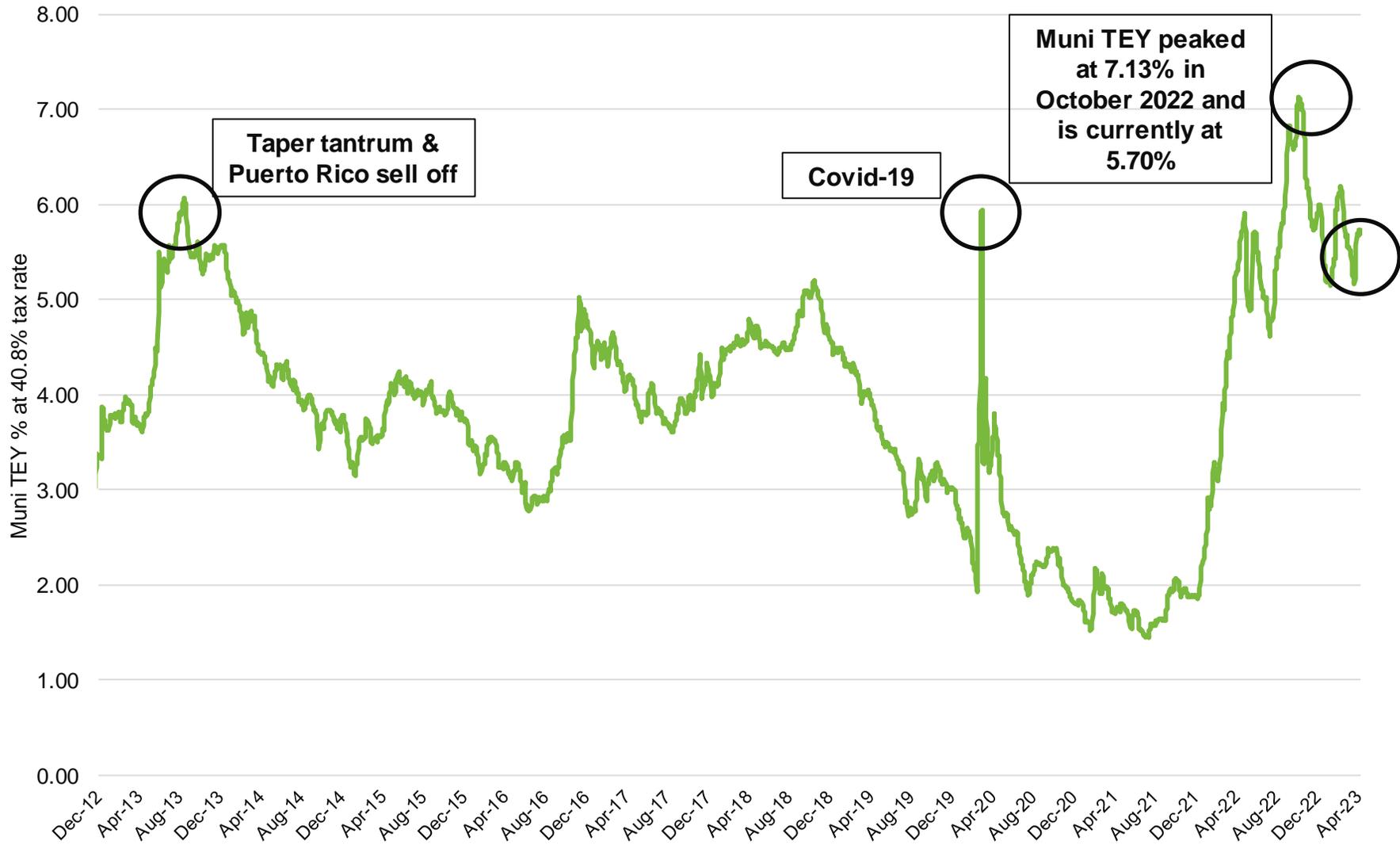


\*YTD.

Source: Bond Buyer, as of 3/31/23.

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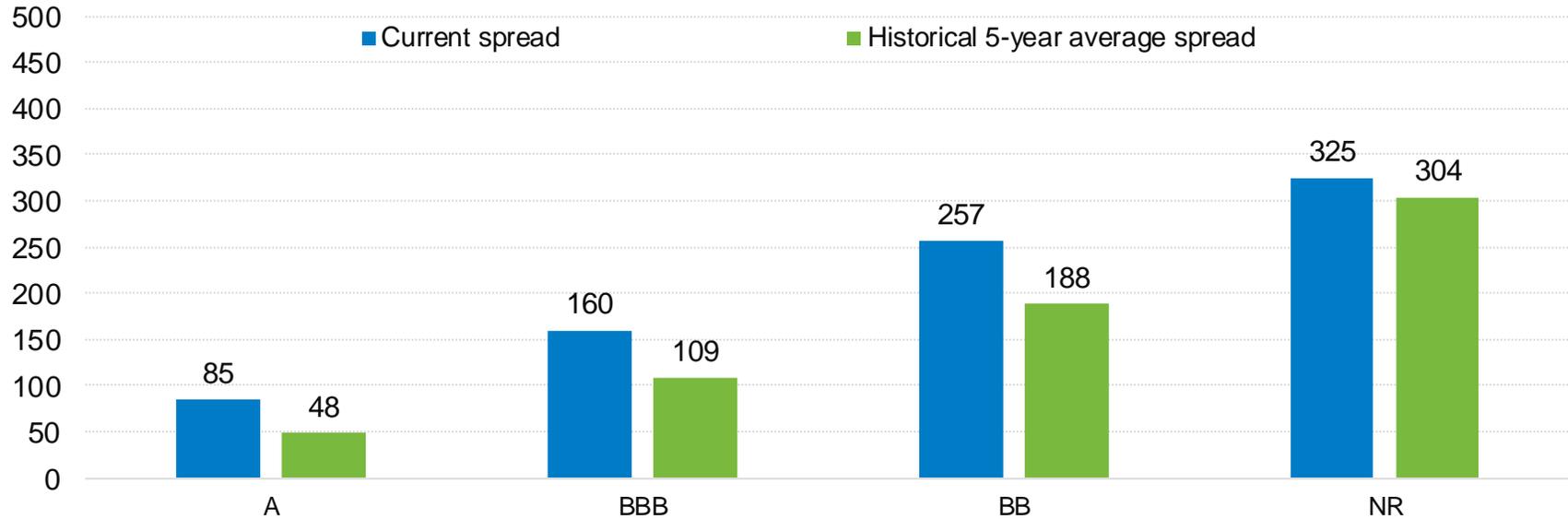
# Muni Taxable Equivalent Yield (TEY) reached its highest point in the last 10 years during this rates driven sell-off last year



Sources: Bloomberg, Putnam 5/3/23.

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# Compared to historical averages, investment-grade credit spreads look more attractive than deep high-yield spreads



Tax-Exempt Credit Spreads (5-year)	A	BBB	BB	NR
Current Spread	85	160	257	325
Average Spread	48	109	188	304
Maximum Spread	101	240	349	428
Minimum Spread	15	52	110	251
<b>Assessment</b>	<b>Very Cheap</b>	<b>Very Cheap</b>	<b>Very Cheap</b>	<b>Neutral</b>

Source: Putnam, as of 4/28/2023.

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# Putnam performance and pricing

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**Putnam**

# All 12 of Putnam's tax-exempt funds rank in the top half of their Lipper peer groups on the 1-, 3-, and 5-year time frames

All Data as of 3/31/2023			1-Month	YTD	1-Year	3-Years			5-Years			10-Years			Expense						
Fund Name	Ticker	Lipper Category	Cumul	Cumul	Cumul	Lipper	Fund	# of	Ann	Lipper	Fund	# of	Ann	Lipper	Fund	# of	Ann	Lipper	Fund	# of	Ratio (%)
			Tot Return	Tot Return	Tot Return	Percentile	Rank	Funds	Tot Return	Percentile	Rank	Funds	Tot Return	Percentile	Rank	Funds	Tot Return	Percentile	Rank	Funds	Ratio (%)
<b>National Tax Free</b>																					
Intermediate-Term Municipal Income Fund	PIMYX	Intermediate Municipal Debt Funds	2.06	2.47	1.23	9	19	215	0.97	18	34	198	2.18	9	15	167	2.01	22	28	132	1.23*
Short-Term Municipal Income Fund	PSMYX	Short-Term Municipal Debt Funds	1.13	1.35	1.59	23	30	133	0.90	10	12	121	1.40	7	7	105	1.06	7	5	74	0.65**
Tax Exempt Income Fund	PTEYX	General & Insured Municipal Debt Funds	1.99	2.82	-1.41	37	107	294	0.45	28	78	280	1.78	29	71	248	2.30	29	51	177	0.58
Tax-Free High Yield Fund	PTFYX	High Yield Municipal Debt Funds	1.52	3.10	-3.54	22	42	191	1.77	15	27	185	2.07	17	28	166	3.07	32	34	108	0.62
Strategic Intermediate Municipal Fund	PAMYX	Intermediate Municipal Debt Funds	1.93	2.70	0.86	20	43	215	1.46	8	15	198	2.49	5	7	167	2.63	3	3	132	0.59
<b>Single State Tax Free</b>																					
California Tax Exempt Income Fund	PCIYX	California Municipal Debt Funds	1.80	2.76	-1.28	30	36	123	0.55	18	21	119	1.92	12	13	110	2.49	31	27	87	0.55
Massachusetts Tax Exempt Income Fund	PMAYX	Massachusetts Municipal Debt Funds	2.06	2.88	-1.28	16	5	32	-0.08	25	8	31	1.57	10	3	29	1.92	16	4	24	0.54
Minnesota Tax Exempt Income Fund	PMNYX	Minnesota Municipal Debt Funds	1.97	2.53	-0.63	26	10	38	0.07	24	9	37	1.57	17	6	35	2.00	29	8	27	0.61
New Jersey Tax Exempt Income Fund	PNJYX	New Jersey Municipal Debt Funds	2.15	3.04	0.06	10	5	49	1.16	24	12	49	2.11	18	8	46	2.15	52	20	38	0.57
New York Tax Exempt Income Fund	PNYYX	New York Municipal Debt Funds	2.21	3.27	-1.29	28	27	98	0.25	20	19	94	1.60	24	21	87	2.05	38	29	76	0.58
Ohio Tax Exempt Income Fund	POTYX	Ohio Municipal Debt Funds	2.08	2.69	-0.88	30	7	23	0.19	27	6	22	1.65	29	6	20	1.92	37	7	18	0.61
Pennsylvania Tax Exempt Income Fund	PPTYX	Pennsylvania Municipal Debt Funds	1.92	2.54	-1.84	25	12	48	0.08	25	12	47	1.76	18	8	44	2.06	35	13	37	0.58

Highlighted funds are in the top half of their Lipper peer groups.

\*What you pay: .65%. What you pay reflects Putnam Management's decision to contractually limit expenses through 03/30/24

\*\*What you pay: .35%. What you pay reflects Putnam Management's decision to contractually limit expenses through 03/30/24

**Past performance is not a guarantee of future results. An investment in this fund can lose value.**

Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or a loss when you sell your shares. Performance assumes reinvestment of distributions and does not account for taxes. For the most recent month-end performance, please visit putnam.com. Class Y shares before their inception are derived from the historical performance of class A shares, which have not been adjusted for the lower expenses; had they, returns would have been higher. Performance for class Y shares prior to their inception for Tax-Free High Yield Fund is derived from the historical performance of class B shares (inception 9/9/85), which have not been adjusted for the lower expenses; had they, returns would have been higher. For a portion of the periods, this fund may have had expense limitations, without which returns would have been lower. Class Y shares are generally only available for corporate and institutional clients and have no initial sales charge.

Lipper rankings for class Y shares are based on total return without sales charge relative to all share classes of funds with similar objectives as determined by Lipper. Past performance is not indicative of future results.

Source: Lipper, a Refinitiv company.  
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# 11 of Putnam's tax-exempt strategies have a 4- or 5-star Overall Rating by Morningstar

Tax-Free Income Funds	Category	Fund symbol	Overall rating	# of funds rated	3-year rating	# of funds rated	5-year rating	# of funds rated	10-year rating	# of funds rated
Strategic Intermediate Municipal Fund	Muni National Interim	PAMYX	★★★★★	273	★★★★★	273	★★★★★	236	★★★★★	185
Intermediate-Term Municipal Income Fund	Muni National Interim	PIMYX	★★★★★	273	★★★★★	273	★★★★★	236	★★★★	185
Short-Term Municipal Income Fund	Muni National Short	PSMYX	★★★★★	205	★★★★★	205	★★★★★	184	★★★★	137
Tax Exempt Income Fund	Muni National Long	PTEYX	★★★★★	158	★★★★★	158	★★★★★	142	★★★★★	105
Tax-Free High Yield Fund	High Yield Muni	PTFYX	★★★★★	197	★★★★★	197	★★★★★	173	★★★★★	109
CA Tax Exempt Income Fund	Muni California Long	PCIYX	★★★★★	103	★★★★★	103	★★★★★	96	★★★★★	74
MA Tax Exempt Income Fund	Muni Massachusetts	PMA YX	★★★★★	42	★★★★★	42	★★★★★	40	★★★★★	32
MN Tax Exempt Income Fund	Muni Minnesota	PMNYX	★★★★★	43	★★★★★	43	★★★★★	41	★★★★★	31
NJ Tax Exempt Income Fund	Muni New Jersey	PNJYX	★★★★★	49	★★★★★	49	★★★★★	46	★★★★★	38
NY Tax Exempt Income Fund	Muni New York Long	PNNYX	★★★★★	72	★★★★★	72	★★★★★	66	★★★★	57
OH Tax Exempt Income Fund	Muni Ohio	POTYX	★★★★★	23	★★★★★	23	★★★★★	21	★★★★	19

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The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a 3-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% 3-year rating for 36–59 months of total returns, 60% 5-year rating/40% 3-year rating for 60–119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. Ratings do not take into account the effects of sales charges and loads.

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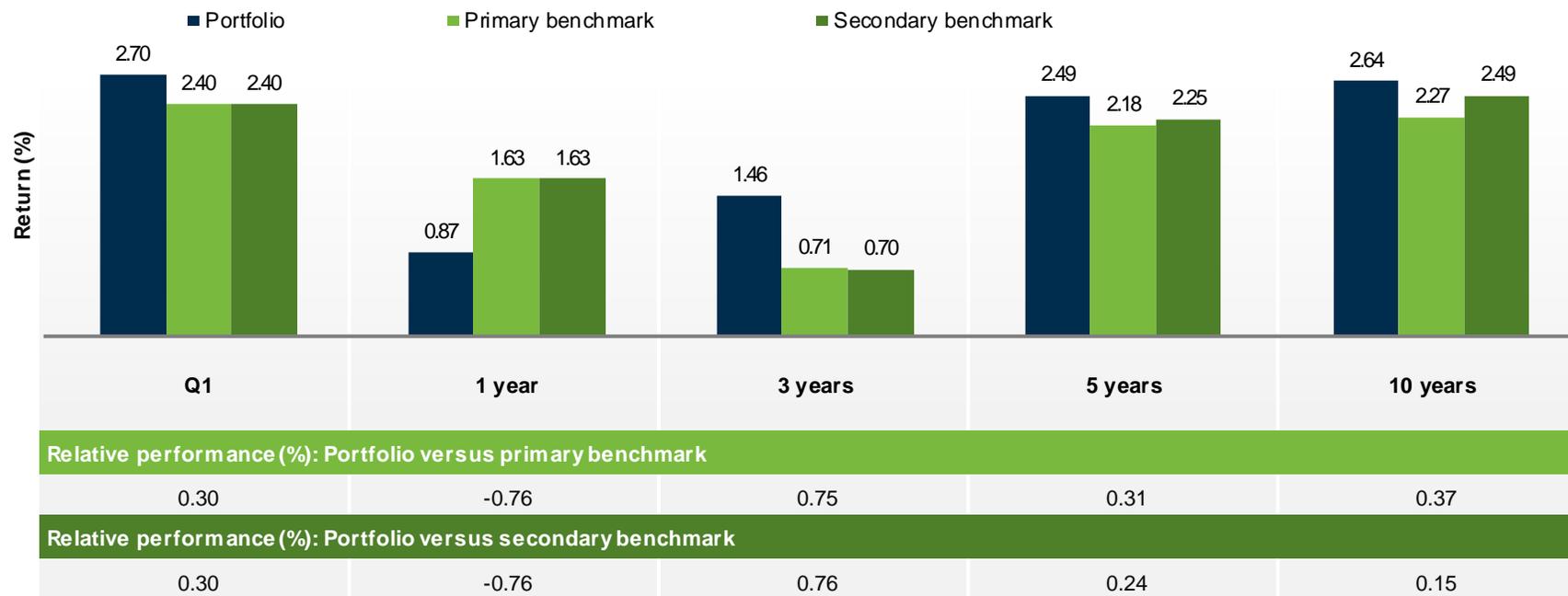
# Annualized performance (Y shares) as of March 31, 2023

**Portfolio:** Strategic Intermediate Municipal Fund Y

**Primary benchmark:** Bloomberg Barclays 3-15 Year Blend Municipal Bond Index

**Secondary benchmark:** Putnam Strategic Intermediate Municipal Linked Benchmark

**Expense ratio**  
0.59%



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Periods less than one year are not annualized.

Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or a loss when you sell your shares. Performance assumes reinvestment of distributions and does not account for taxes. For the most recent month-end performance, please visit [putnam.com](http://putnam.com). For a portion of the periods, this fund may have had expense limitations, without which returns would have been lower. Class Y shares are generally only available for corporate and institutional clients and have no initial sales charge.

Indexes are unmanaged and used as a broad measure of market performance. It is not possible to invest directly in an index.

Source: Putnam Investments.

# A-Share Pricing

Putnam offers competitive pricing in brokerage for our tax-exempt strategies

Amount invested	Sales charge	Dealer commission
Under \$50,000	4.00%	3.50%
\$50,000 to \$100,000	3.25	2.75
\$100,000 to \$250,000	2.50	2.00
\$250,000 to \$500,000	—	1.00
\$500,000 to \$1 million	—	1.00
\$1 million to \$4 million	—	1.00
\$4 million to \$50 million	—	0.50
\$50 million +	—	0.25

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**Not all funds listed in the piece are available for sale at all broker dealer firms.**

**Consider these risks before investing:** Capital gains, if any, are taxed at the federal and, in most cases, state levels. For some investors, investment income may be subject to the federal alternative minimum tax. Income from federally tax-exempt funds may be subject to state and local taxes.

Bond investments are subject to interest-rate risk (the risk of bond prices falling if interest rates rise) and credit risk (the risk of an issuer defaulting on interest or principal payments). Bond investments may be more susceptible to downgrades or defaults during economic downturns or other periods of economic stress. Interest-rate risk is generally greater for longer-term bonds, and credit risk is generally greater for below-investment-grade bonds. Unlike bonds, funds that invest in bonds have fees and expenses. The fund may invest significantly in particular segments of the tax-exempt debt market, making it more vulnerable to fluctuations in the values of the securities it holds than a more broadly invested fund. Interest the fund receives might be taxable.

The value of investments in the fund's portfolio may fall or fail to rise over extended periods of time for a variety of reasons, including general economic, political, or financial market conditions; investor sentiment and market perceptions; government actions; geopolitical events or changes; and factors related to a specific issuer, geography, industry, or sector. These and other factors may lead to increased volatility and reduced liquidity in the fund's portfolio holdings.

Our investment techniques, analyses, and judgments may not produce the outcome we intend. The investments we select for the fund may not perform as well as other securities that we do not select for the fund. We, or the fund's other service providers, may experience disruptions or operating errors that could have a negative effect on the fund. You can lose money by investing in the fund.

The fund's performance will be closely tied to the economic and political conditions in the state, and can be more volatile than the performance of a more geographically diversified fund. To the extent the fund invests in securities of issuers located outside of state, the fund may also be exposed to the risks affecting other states.

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**Putnam Retail Management**  
**putnam.com**

As of April 30, 2023, IL GO bonds constituted

Putnam Tax-Free High Yield Fund	3.21%
Putnam Intermediate-Term Municipal Fund	1.11%
Putnam Short-Term Municipal Fund	2.22%
Putnam Strategic Intermediate Municipal Fund	1.95%
Putnam Tax Exempt Income Fund	2.08%

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