

Invest for tax-free income with an experienced team

Q3 | 19



**Putnam
tax-exempt
income funds**

Tax-advantaged income
Deep team experience
Diversified portfolios

Municipal bonds offer attractive income and a low historical level of risk

The tax-free advantage

Unlike Treasuries or corporate bonds, the interest paid on municipal bonds is free from federal and, in some cases, state and local income taxes. That can make municipal bonds particularly attractive to investors subject to higher personal income tax rates. Income from municipal bonds may be subject to the alternative minimum tax.

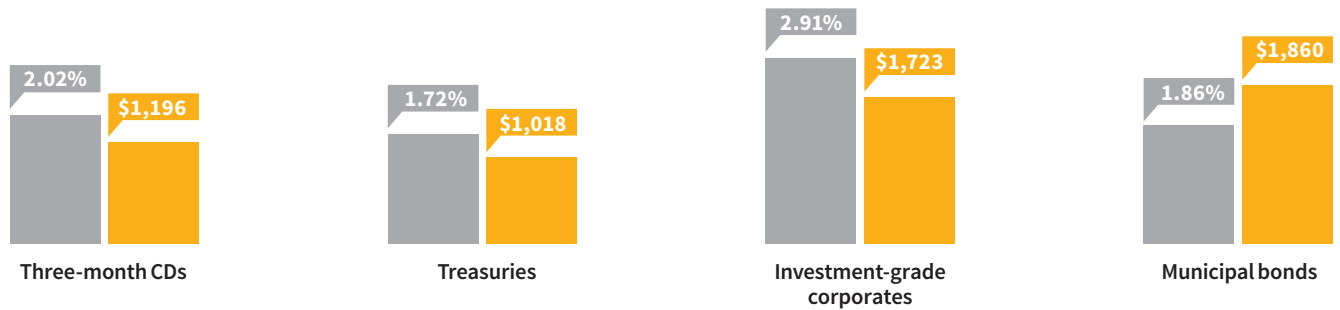
A low historical default rate

Municipal bonds have been an asset class with limited risk of default. Over the past five years, corporate bonds defaulted at a much higher rate than municipal bonds.

Compare after-tax income of municipal bonds

Yield and annual after-tax income generated by a hypothetical \$100,000 investment as of 9/30/19

■ Yield ■ After-tax income



Muni bonds can give you more after-tax income than many alternatives.

Source: Putnam, as of 9/30/19. Three-month CD rate data sourced from Bloomberg. Yields for Treasuries, investment-grade corporates, and municipal bonds are represented by the average “yield to worst” — a calculation of the lowest possible yield generated without defaulting — of the Bloomberg Barclays U.S. Treasury Index, the Bloomberg Barclays U.S. Corporate Bond Index, and the Bloomberg Barclays Municipal Bond Index, respectively. Yields on three-month CDs are the national average as reported by Bloomberg. Unlike other investments that incur more risk, the interest and principal value of CDs are fixed and are insured by the FDIC up to \$250,000. Bonds incur investment risk; CDs do not. Income from municipal bonds may be subject to the alternative minimum tax. Annual after-tax income is based on a maximum 40.80% federal income tax rate. This rate reflects the Tax Cuts and Jobs Act and includes the 3.80% Medicare surtax.

Municipal bonds help finance a variety of projects



EDUCATION

School districts, colleges, universities, student loan programs



HEALTH CARE

Hospitals, long-term-care facilities



HOUSING

Single- and multi-family housing



INDUSTRIALS

Chemical, container, paper, and waste management companies

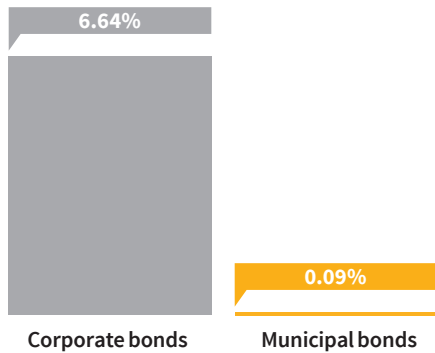


UTILITIES

Public and private utilities, waterworks, sewers

Defaults in the municipal bond market have been a relative rarity

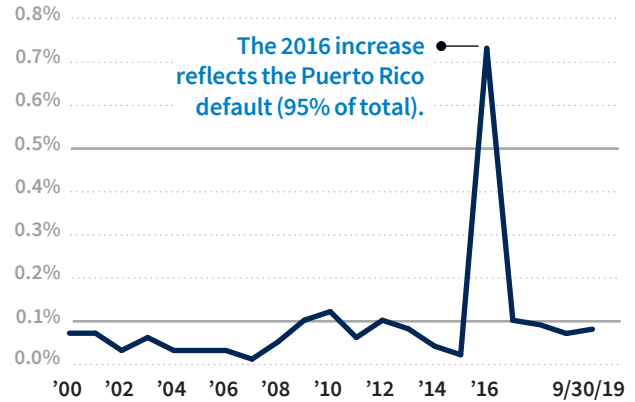
Five-year average cumulative default rates, all rated securities



Source: Moody's, U.S. Municipal Bond Defaults and Recoveries, 1970–2016 (August 2019).

Through recessions and expansions, defaults consistently have remained below 1%

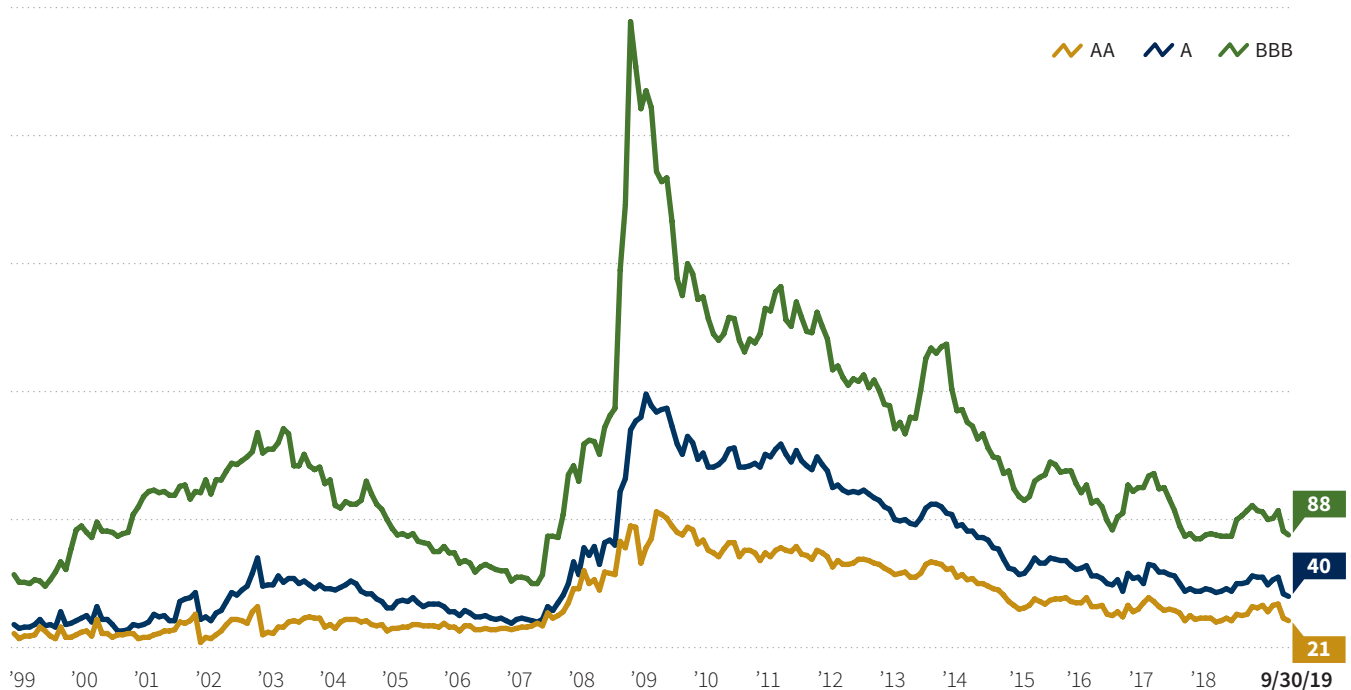
Defaults as a percentage of municipal bond market



Source: BAML, 9/30/19.

Municipal credit spreads have narrowed from historical wides; strong fundamentals and technicals remain in place

Municipal bond spreads by quality rating



Source: Putnam, as of 9/30/19. Credit ratings are as determined by Putnam.

A tenured team of industry veterans

Experienced managers in a deep organization

Putnam’s team of portfolio managers specializing in tax-free investing has 19 years of investment experience on average and is part of a broader fixed-income organization of more than 90 investment professionals. They provide comprehensive coverage of the risk and opportunities in fixed-income investing.

6 research analysts

3 portfolio construction specialists

22 credit team members

Leveraging technology in new ways

The tax-exempt team has used technology to leverage research insights by building a proprietary web database that tracks characteristics of over a million municipal bonds. This tool, combined with accumulated internal credit research, allows the team to react quickly when opportunities or risks arise.

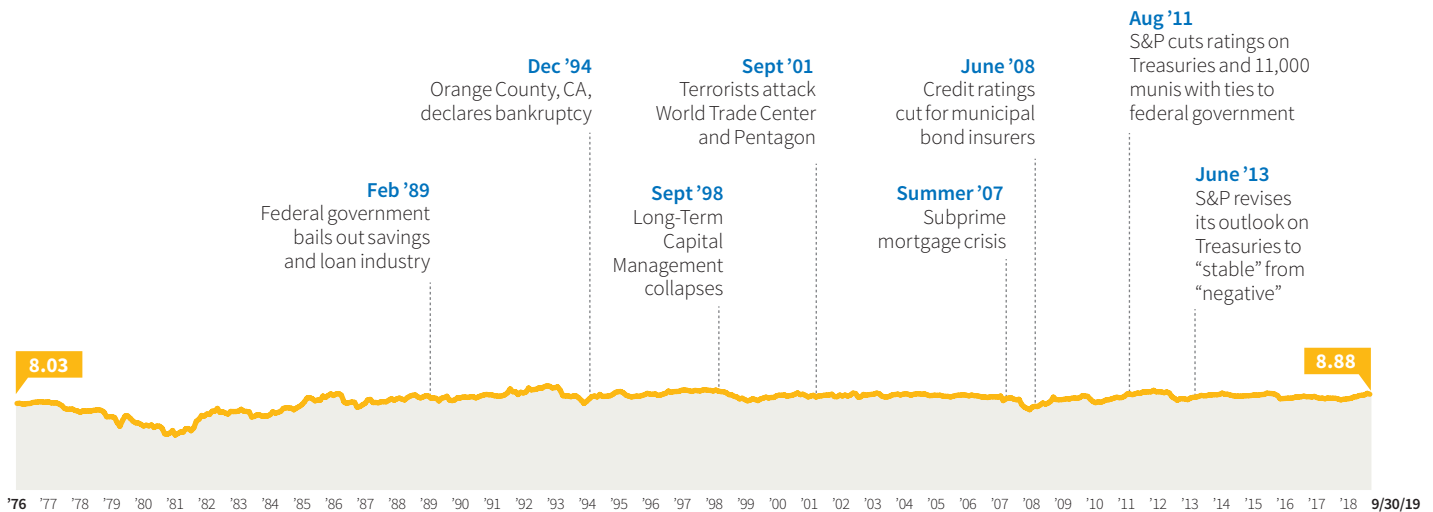


Paul M. Drury, CFA
Investing since 1989
Joined Putnam in 1989



Garrett L. Hamilton, CFA
Investing since 2006
Joined Putnam in 2016

The team’s disciplined process has helped lend stability to the net asset value (NAV) of Putnam Tax Exempt Income Fund (PTEYX).



On 10/30/89, this fund had a three-for-one split. The price before the split was \$25.83 and after the split was \$8.61. Prices prior to this have been adjusted to reflect the split.

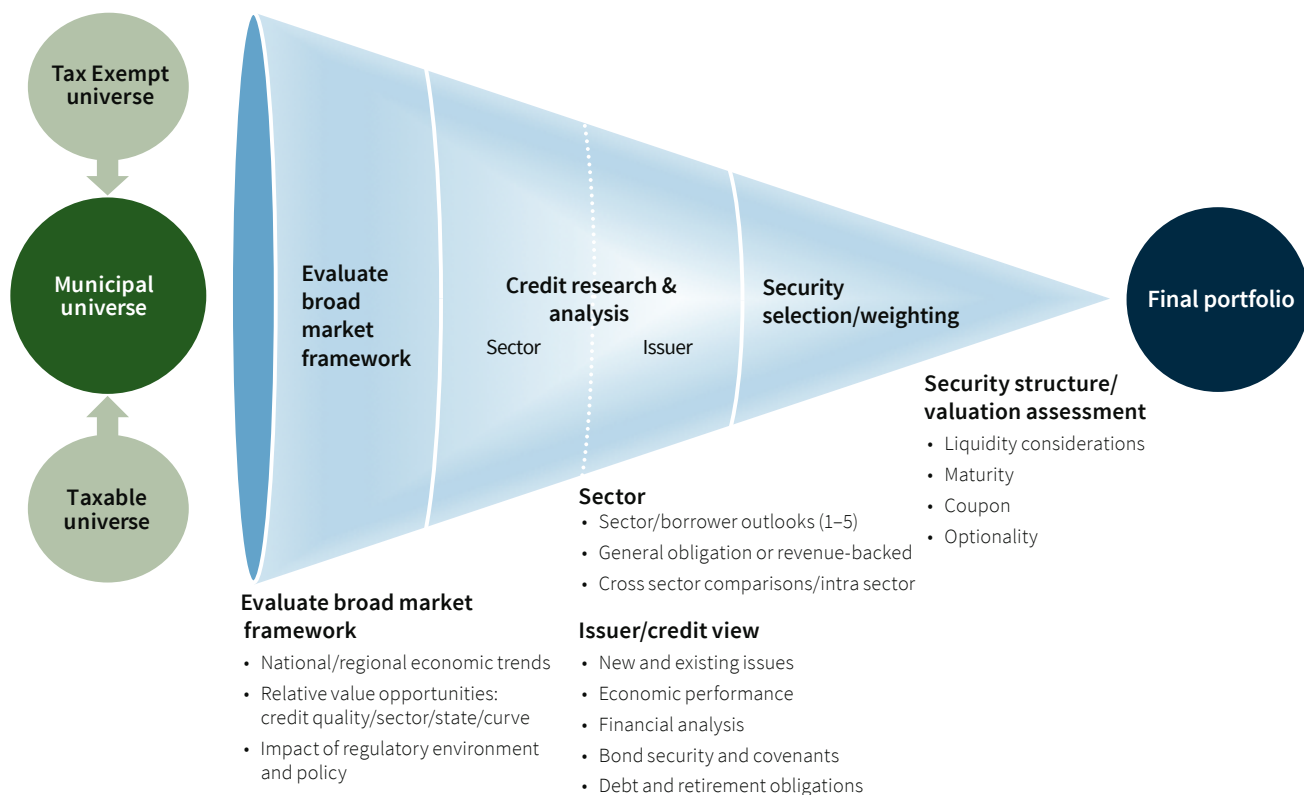
Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or a loss when you sell your shares. Performance assumes reinvestment of distributions and does not account for taxes. Class Y shares, available to investors through an asset-based fee program or for institutional clients, are sold without an initial sales charge and have no CDSC. For the most recent month-end performance, please visit putnam.com.

Consider these risks before investing: Capital gains, if any, are taxable for federal and, in most cases, state purposes. 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). 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 fund that invests more broadly. 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. You can lose money by investing in the fund.

Today’s \$3.8 trillion municipal bond market is highly nuanced and complex: Less than 10% of new issuance carries insurance, and only 6% of the market is rated AAA. That’s why our active investment process has many levels, from setting fundamental economic views to credit research to security selection and portfolio construction.

Identifying fundamentally sound issuers and relative value opportunities within a \$3.8 trillion market



For illustrative purposes only

Economic and regulatory analysis guides strategy

The key considerations in our macroeconomic research involve developing a viewpoint on economic trends, fiscal and monetary policy, and the level and shape of the U.S. Treasury yield curve. We also examine federal and state regulatory policies and key drivers of public revenues.

Sector and security selection determine portfolios

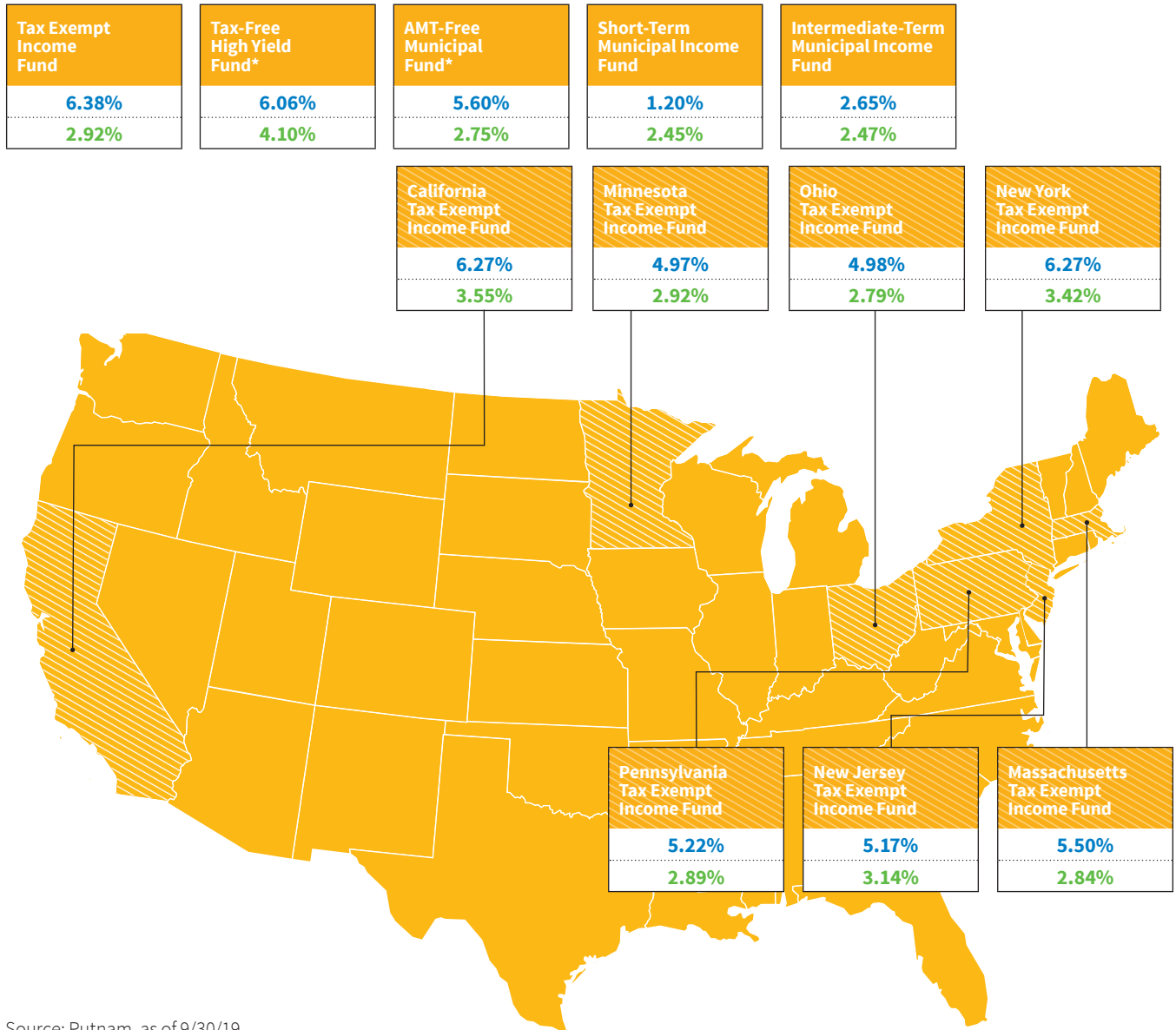
We actively research the new issues and secondary markets to identify securities with positive credit trajectory. Our portfolio construction emphasizes liquidity and diversification, limiting stakes in any single issue and avoiding smaller issuers.

Putnam is a leader in tax-free investing

A broad range of options

Putnam offers a choice of municipal bond funds, including high-yield and AMT-free portfolios, and state-specific funds, which are also free from state and local taxes.

- Life-of-fund return at net asset value
- SEC taxable-equivalent yield



Source: Putnam, as of 9/30/19.

* The performance of the fund's class Y shares for the period prior to 1/2/08 is based upon the performance of the fund's class B shares (inception 9/9/85), which have not been adjusted for the lower expenses; had they, returns would have been higher.

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. 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.

Taxable-equivalent yields are based on the funds' 30-day SEC yields. Those shown for Putnam California, Massachusetts, Minnesota, New Jersey, New York, Ohio, and Pennsylvania Tax Exempt Income funds assume a maximum combined federal and state tax rate of 54.10%, 45.85%, 50.65%, 51.55%, 53.50%, (assumes a maximum 53.50% combined federal, state, and city tax rate inclusive of the 3.80% Medicare surtax), 45.80%, and 43.87%, respectively, inclusive of the 3.80% Medicare surtax. Tax Exempt Income, Tax-Free High Yield, AMT-Free Municipal, Short-Term Municipal Income, and Intermediate-Term Municipal Income funds assume a maximum federal income tax rate of 40.80%, which includes the 3.80% Medicare surtax.

Data for class Y shares as of 9/30/19	ANNUALIZED RETURNS AT NET ASSET VALUE			30-day SEC yield (with subsidy)	30-day SEC yield (without subsidy)	RISK-ADJUSTED MORNINGSTAR RATINGS (number of funds in category)				Category
	1 year	5 years	10 years/ life of fund			Overall	3 years	5 years	10 years	
AMT-Free Municipal Fund (PAMYX) Inception: 1/2/08 Fund inception: 9/9/85 Total expense ratio: 0.56%	8.97%	3.77%	4.29%	1.63%	—	3 stars (147)	3 stars (147)	3 stars (133)	3 stars (110)	Muni National Long
Intermediate-Term Municipal Income Fund (PIMYX) Inception: 3/18/13 Total expense ratio: 1.62% What you pay: 0.61%*	7.39	2.81	2.65	1.46%	0.11%	2 stars (244)	3 stars (244)	2 stars (217)	—	Muni National Intermediate
Short-Term Municipal Income Fund (PSMYX) Inception: 3/18/13 Total expense ratio: 1.37% What you pay: 0.36%*	3.25	1.30	1.20	1.45%	0.63%	3 stars (179)	4 stars (179)	3 stars (162)	—	Muni National Short
Tax Exempt Income Fund (PTEYX) Inception: 1/2/08 Fund inception: 12/31/76 Total expense ratio: 0.55%	8.93	3.91	4.45	1.73%	—	4 stars (147)	4 stars (147)	4 stars (133)	4 stars (110)	Muni National Long
Tax-Free High Yield Fund (PTFYX) Inception: 1/2/08 Fund inception: 9/9/85 Total expense ratio: 0.59%	9.19	5.28	6.06	2.43%	—	4 stars (155)	4 stars (155)	3 stars (136)	4 stars (87)	High Yield Muni
California Tax Exempt Income Fund (PCIYX) Inception: 1/2/08 Fund Inception: 4/29/83 Total expense ratio: 0.52%	9.06	3.99	4.72	1.63%	—	4 stars (90)	4 stars (90)	4 stars (87)	4 stars (69)	Muni California Long
Massachusetts Tax Exempt Income Fund (PMAIX) Inception: 1/2/08 Fund inception: 10/23/89 Total expense ratio: 0.57%	8.27	3.31	4.00	1.54%	—	5 stars (43)	4 stars (43)	4 stars (39)	5 stars (37)	Muni Massachusetts
Minnesota Tax Exempt Income Fund (PMNYX) Inception: 1/2/08 Fund inception: 10/23/89 Total expense ratio: 0.64%	7.74	3.24	3.90	1.44%	—	4 stars (43)	4 stars (43)	4 stars (43)	4 stars (31)	Muni Minnesota
New Jersey Tax Exempt Income Fund (PNJYX) Inception: 1/2/08 Fund inception: 2/20/90 Total expense ratio: 0.58%	8.11	3.57	3.82	1.52%	—	3 stars (47)	4 stars (47)	3 stars (46)	3 stars (40)	Muni New Jersey
New York Tax Exempt Income Fund (PNYYX) Inception: 1/2/08 Fund inception: 9/2/83 Total expense ratio: 0.53%	8.55	3.66	4.06	1.59%	—	4 stars (66)	3 stars (66)	3 stars (65)	4 stars (47)	Muni New York Long
Ohio Tax Exempt Income Fund (POTYX) Inception: 1/2/08 Fund inception: 10/23/89 Total expense ratio: 0.62%	7.86	3.25	3.58	1.51%	—	3 stars (27)	4 stars (27)	3 stars (25)	3 stars (23)	Muni Ohio
Pennsylvania Tax Exempt Income Fund (PPTYX) Inception: 1/2/08 Fund inception: 7/21/89 Total expense ratio: 0.60%	8.31	3.52	3.89	1.62%	—	3 stars (53)	3 stars (53)	3 stars (51)	3 stars (47)	Muni Pennsylvania

* "What you pay" reflects Putnam Management's decision to contractually limit expenses for Intermediate-Term Municipal Income Fund through 3/30/20 and Short-Term Municipal Income Fund through 3/30/20.

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 three-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 three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-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 three-year period actually has the greatest impact because it is included in all three rating periods.

Support your investment decisions with sound advice

In a world of rapidly changing markets, a full-service financial representative can be one of your most important assets. A financial representative can help you clarify your objectives, evaluate your tolerance for risk, and create a long-term strategy to help you reach your financial goals. And with thousands of mutual funds available to investors, a financial representative can also help you narrow the field to those investments that have the potential to meet those goals.

A world of investing.®



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