

Portfolio Managers

Paul M. Drury, CFA
(industry since 1989)

Garrett L. Hamilton, CFA
(industry since 2006)

Objective

The fund seeks as high a level of current income exempt from federal income tax as we believe to be consistent with preservation of capital.

Morningstar category

Muni National Long

Lipper category

General & Insured Municipal Debt

Fund symbols

| | |
|----------|-------|
| Class A | PTAEX |
| Class B | PTBEX |
| Class C | PTECX |
| Class R6 | PEXTX |
| Class Y | PTEYX |

Number of holdings

397

Net assets

\$922.15M

Dividend frequency

Monthly

Top 10 state allocations

| | |
|----|-------|
| IL | 9.83% |
| NY | 8.81% |
| TX | 8.47% |
| MI | 6.92% |
| CA | 5.32% |
| FL | 5.05% |
| PA | 4.58% |
| OH | 4.54% |
| NJ | 4.20% |
| KY | 3.82% |

Putnam Tax Exempt Income Fund (PEXTX)

Seeking a high level of tax-free income since 1976

Tax-advantaged income

The fund pursues income free from federal income tax with a portfolio of municipal bonds selected from many states and market sectors.

Focus on performance

The portfolio managers seek a competitive yield and to protect investor's capital through fundamental investment analysis and risk management.

A diversified portfolio

A broadly diversified portfolio enables the managers to pursue current tax-free income opportunities while managing risk and seeking to preserve capital.

Sector weightings

| | |
|---------------------------|-------|
| Health care | 15.5% |
| Transportation | 15.3 |
| Special tax | 9.9 |
| Utilities | 9.9 |
| Local debt | 9.3 |
| State debt | 8.6 |
| Education | 6.4 |
| Financials | 6.0 |
| Other sectors | 12.9 |
| Cash and net other assets | 6.3 |

Portfolio quality

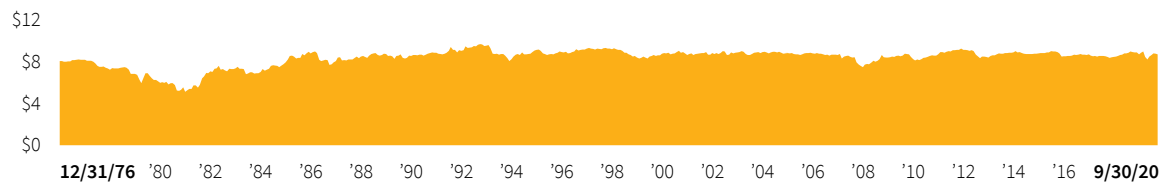
| | |
|---------------------------|------|
| AAA | 5.3% |
| AA | 27.3 |
| A | 41.3 |
| BBB | 15.8 |
| BB | 1.9 |
| Not rated | 2.2 |
| Cash and net other assets | 6.3 |

The fund invests 89.7% of its assets in investment-grade tax-exempt bonds.

Credit qualities are shown as a percentage of the fund's net assets. A bond rated BBB or higher (SP-3 or higher, for short-term debt) is considered investment grade. This chart reflects the highest security rating provided by one or more of Standard & Poor's, Moody's, and Fitch. Ratings may vary over time. Cash and net other assets, if any, represent the market value weights of cash, derivatives, and short-term securities in the portfolio. **The fund itself has not been rated by an independent rating agency.**

Allocations will vary over time. Due to rounding, percentages may not equal 100%.

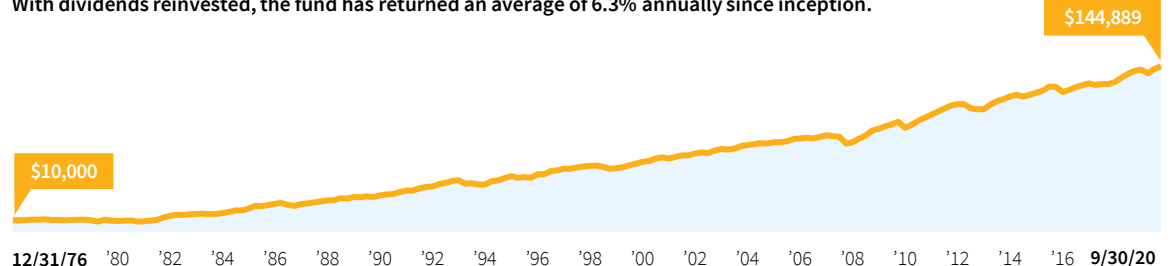
Protecting investors' principal, the fund's net asset value has remained stable



On 10/30/89, the 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.

Growth of a \$10,000 investment

With dividends reinvested, the fund has returned an average of 6.3% annually since inception.



Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or a loss when you sell your shares. Performance of class R6 shares assumes reinvestment of distributions and does not account for taxes. Class R6 shares, available to qualified employee-benefit plans only, are sold without an initial sales charge and have no CDSC. Performance for class R6 shares prior to their inception is derived from the historical performance of class Y shares (inception 1/2/08), and has not been adjusted for the lower investor servicing fees applicable to class R6 shares; had it, returns would have been higher. For the most recent month-end performance, please visit putnam.com.

**Not FDIC insured
May lose value
No bank guarantee**

Morningstar rankings

(R6 shares, based on total return)

1 year 52% (68/165)

Total expense ratio

(R6 shares)

0.54%

Option adjusted duration

7.82

Duration to worst

5.25

Average stated maturity

19.06

Average effective maturity

6.17

AMT exposure

10.50%

Annual performance at net asset value (all distributions reinvested)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 YTD |
|-----------------------------------|-------|------|-------|-------|------|------|------|------|------|----------|
| R6 shares | 11.0% | 9.1% | -4.0% | 10.3% | 2.9% | 0.6% | 6.1% | 0.9% | 8.4% | 2.0% |
| BBG Barclays Municipal Bond Index | 10.7 | 6.8 | -2.6 | 9.1 | 3.3 | 0.3 | 5.5 | 1.3 | 7.5 | 3.3 |

Annualized total return performance

| Inception 5/22/18 | Class R6 shares | BBG Barclays Municipal Bond Index |
|-------------------|-----------------|-----------------------------------|
| 1 year | 2.76% | 4.09% |
| 3 years | 4.15 | 4.28 |
| 5 years | 3.85 | 3.84 |
| 10 years | 4.11 | 3.99 |
| Life of fund | 6.30 | — |

Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or a loss when you sell your shares. Performance of class R6 shares assumes reinvestment of distributions and does not account for taxes. Class R6 shares, available to qualified employee-benefit plans only, are sold without an initial sales charge and have no CDSC. Performance for class R6 shares prior to their inception is derived from the historical performance of class Y shares (inception 1/2/08), and has not been adjusted for the lower investor servicing fees applicable to class R6 shares; had it, returns would have been higher. For the most recent month-end performance, please visit putnam.com.

Attractive yield

| | Net asset value |
|---------------------------|-----------------|
| Current 30-day SEC yield* | 1.52% |
| Taxable equivalent† | 2.57% |

* Based only on investment income, calculated using the maximum offering price in accordance with SEC guidelines.

† Assumes a maximum 40.80% combined federal and state tax rate inclusive of the 3.80% Medicare surtax.

Highlights of five-year performance periods (12/31/76–9/30/20)*

| Best 5-year return | Best period end date | Worst 5-year return | Worst period end date | Average 5-year return | % of 5-year periods with positive returns | Number of positive 5-year periods | Number of negative 5-year periods |
|--------------------|----------------------|---------------------|-----------------------|-----------------------|---|-----------------------------------|-----------------------------------|
| 22.07% | 12/31/86 | -1.95% | 12/31/81 | 6.88% | 98% | 153 | 3 |

* Based on annualized returns for quarterly rolling periods.

The Bloomberg (BBG) Barclays Municipal Bond Index is an unmanaged index of long-term fixed-rate investment-grade tax-exempt bonds. You cannot invest directly in an index.

Morningstar rankings for class R6 shares are based on total return without sales charge relative to all share classes of funds with similar objectives as determined by Morningstar. Morningstar rankings may differ significantly from Morningstar's risk-adjusted star ratings. Past performance is not indicative of future results.

Average effective maturity depends on the maturity of the underlying bonds within each fund. The longer the maturity, the greater the interest-rate risk. **Average stated maturity** is determined based on the legal final maturity of a bond. **Duration to worst** is the duration of a bond computed assuming the bond is called at the worst possible time and uses the date associated with the lowest yield. Depending on the interest-rate environment and structure of the bond, there may be scenarios in which the worst possible time for the bond to be paid off is the maturity date. Option adjusted duration is the modified duration of a bond after adjusting for any embedded optionality.

Tax-free funds may not be suitable for IRAs and other non-taxable accounts.

Not all share classes are available on all platforms.

Consider these risks before investing: Capital gains, if any, are taxable for federal and, in most cases, state purposes. 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). 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. Tax-exempt bonds may be issued under the Internal Revenue Code only by limited types of issuers for limited types of projects. As a result, the fund's investments may be focused in certain market segments and be 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.

Request a prospectus or a summary prospectus, if available, from your financial representative or by calling Putnam at 1-800-225-1581. These prospectuses include investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.

For informational purposes only. Not an investment recommendation.

Putnam Retail Management
FS041_R6 323499 10/20

Putnam Investments | 100 Federal Street | Boston, MA 02110 | 1-800-225-1581 | putnam.com