

Objective

The portfolio seeks to maximize total return consistent with what Putnam believes to be prudent risk.

Portfolio Managers

- Michael V. Salm**
(industry since 1989)
- Brett S. Kozlowski, CFA**
(industry since 1997)
- Jatin Misra, PhD, CFA**
(industry since 2004)

Morningstar category

Nontraditional Bond

Lipper category

Absolute Return

Primary benchmark

ICE BofA U.S. Treasury Bill Index

Secondary benchmark

Bloomberg U.S. MBS Index

Credit qualities are shown as a percentage of the fund's net assets. A bond rated BBB or higher is considered investment grade. This table reflects the highest security rating provided by one or more of Standard & Poor's, Moody's, and Fitch. Ratings and portfolio credit quality will vary over time. Net cash represents 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. Data in the table reflect a new calculation methodology put into effect 6/30/22.**

MBS: Mortgage-backed securities

CMO: Collateralized mortgage obligations

RMBS: Residential mortgage-backed securities

CMBS: Commercial mortgage-backed securities

ABS: Asset-backed securities

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

Putnam Mortgage Opportunities Fund

A dynamic approach to securitized investing

Multiple securitized sectors

Investing in residential and commercial MBS and collateralized mortgage obligations, the portfolio managers can pursue strategies independent of the direction of the U.S. housing market.

Portfolio diversification

Securitized sectors offer effective diversification potential to portfolios with equity, corporate credit, and emerging market debt exposures.

Dynamic risk allocation

Our differentiated approach actively allocates to credit, prepayment, and liquidity risks while deemphasizing interest-rate risk.

Diversification across securitized sectors

| | |
|-------------------------------|-------|
| Agency pass-through | 69.7% |
| Commercial MBS | 35.2 |
| Agency CMO | 32.5 |
| Residential MBS (non-agency) | 16.2 |
| Asset-backed securities (ABS) | 1.8 |
| Net cash | 21.9 |

Allocations will vary over time. Allocations may not total 100% of net assets because the table includes the notional value of derivatives (the economic value for purposes of calculating periodic payment obligations), in addition to the market value of securities.

Maturity breakdown

| | |
|----------------|--------|
| 0 to 1 year | -43.2% |
| 1 to 5 years | 33.4 |
| 5 to 10 years | 115.4 |
| 10 to 15 years | -6.0 |
| Over 15 years | 0.3 |

Portfolio quality

| | |
|---------------|-------|
| AAA | 33.5% |
| AA | 1.5 |
| A | 6.2 |
| BBB | 11.9 |
| BB | 5.7 |
| B | 3.5 |
| CCC and below | 2.8 |
| Not rated | 13.0 |
| Net cash | 21.9 |

Holdings represent 100% of the portfolio and will vary over time. Due to rounding, percentages may not equal 100%.

Securitized sectors offer attractive diversification potential

- Securitized debt excess returns have had low correlations with other asset types
- Exposure to different underlying risk factors than corporates and emerging markets
- Homeowners' option to repay their mortgages creates additional diversification within a mortgage-focused portfolio

Correlations of monthly duration-hedged excess returns since 2009

| | IG | HY | Loans | EM USD | S&P | MSCI World | NA RMBS | Agency IO | CMBS | Agency MBS |
|-------------------|------|------|-------|--------|------|------------|-------------|-------------|-------------|------------|
| IG | — | | | | | | | | | |
| HY | 0.88 | — | | | | | | | | |
| Loans | 0.69 | 0.80 | — | > 0.6 | | | | | | |
| EM USD | 0.83 | 0.85 | 0.70 | — | | | | | | |
| S&P | 0.63 | 0.73 | 0.55 | 0.64 | — | | | | | |
| MSCI World | 0.69 | 0.78 | 0.60 | 0.72 | 0.96 | — | | | | |
| NA RMBS | 0.50 | 0.50 | 0.60 | 0.45 | 0.22 | 0.29 | — | | | |
| Agency IO | 0.26 | 0.31 | 0.39 | 0.28 | 0.10 | 0.13 | 0.26 | — | | |
| CMBS | 0.44 | 0.46 | 0.49 | 0.40 | 0.29 | 0.32 | 0.45 | 0.29 | — | |
| Agency MBS | 0.26 | 0.26 | 0.27 | 0.28 | 0.15 | 0.18 | 0.17 | 0.26 | 0.26 | — |

← Lower correlations ≤ 0.6
→ Lower correlations ≤ 0.6 ←

Sources: Bloomberg, Putnam, as of 9/30/22. For illustrative purposes only. Indexes used in the above calculation include the Bloomberg U.S. Corporate Index, Bloomberg U.S. High Yield Index, Morningstar LSTA US Leveraged Loan Index, and the Bloomberg EM USD Sovereign Indices. Where there is no available representative index, data is based on a universe of securities selected by Putnam that are representative of various fixed income sectors and subsectors within the mortgage market. Past performance is not a guarantee of future results. Diversification does not assure a profit or protect against loss. It is possible to lose money in a diversified portfolio.

Correlation is a measure of how similar the historical performances of two different asset classes or securities have been. The maximum correlation is 1.0 and the minimum is 0 with values between 0 and -1 indicating negative correlation. A positive correlation close to 1.0 indicates that the historical returns of the two asset classes being compared have been very similar. A negative correlation close to -1.0 indicates that the historical returns of the two asset classes being compared have been opposite each other; for example, when one gained 5%, the other declined 5%. Correlations near zero indicate that there has been little discernible relationship between the two asset classes being compared.

Fund symbols

| | |
|----------|-------|
| Class A | PMORX |
| Class C | PMOZX |
| Class I | PMOTX |
| Class R6 | PMOLX |
| Class Y | PMOYX |

Morningstar rankings

(Y shares, based on total return)

| | |
|---------|---------------|
| 1 year | 4% (10/336) |
| 3 years | 61% (176/311) |

Expense ratio

(Y shares)

| | |
|---------------------|-------|
| Total expense ratio | 0.82% |
| What you pay | 0.54% |

(A shares)

| | |
|---------------------|-------|
| Total expense ratio | 1.07% |
| What you pay | 0.79% |

"What you pay" reflects Putnam Management's decision to contractually limit expenses through 9/30/23.

Net assets

\$363.91M

Number of holdings

825

Dividend frequency

Monthly

Average effective duration

0.45

30-day SEC yield

(Y shares)

| | |
|-----------------|-------|
| Without subsidy | 5.70% |
| With subsidy | 5.88% |

Average effective duration

provides a measure of a fund's interest-rate sensitivity. The longer a fund's duration, the more sensitive the fund is to shifts in interest rates.

Not all share classes are available on all platforms.

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.

For informational purposes only. Not an investment recommendation.

Putnam Retail Management
FS765_YA 331436 10/22

Annual performance (all distributions reinvested)

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 YTD |
|------------------------------|-------|-------|-------|-------|-------|-------|--------|--------|--------|----------|
| Y shares at net asset value | — | — | — | 4.52% | 5.90% | 3.04% | 10.22% | -6.28% | -1.58% | 3.81% |
| A shares before sales charge | — | — | — | 4.19 | 5.66 | 2.74 | 9.97 | -6.52 | -1.83 | 3.63 |
| Primary benchmark | 0.09% | 0.06% | 0.09% | 0.37 | 0.81 | 1.88 | 2.35 | 0.74 | 0.05 | 0.47 |
| Secondary benchmark | -1.41 | 6.08 | 1.51 | 1.67 | 2.47 | 0.99 | 6.35 | 3.87 | -1.04 | -13.66 |

Source: Bloomberg Index Services Limited.

Annualized total return performance

| | 1 year | 3 years | 5 years | Life of fund |
|---|--------|---------|---------|--------------|
| Y shares (Inception 7/1/19) | 3.03% | -0.66% | 2.15% | 2.42% |
| A shares (Inception 7/1/19) before sales charge | 2.78 | -0.90 | 1.90 | 2.16 |
| A shares after sales charge | -1.33 | -2.24 | 1.07 | 1.61 |
| Primary benchmark | 0.47 | 0.58 | 1.14 | 0.90 |
| Secondary benchmark | -13.98 | -3.67 | -0.92 | -0.05 |

Source: Bloomberg Index Services Limited.

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 A and Y shares assumes reinvestment of distributions and does not account for taxes. After-sales-charge returns for class A reflect a maximum 4.00% load. Returns for class A and Y shares prior to their inception are derived from the historical performance of class I shares (inception 4/7/15), which have been adjusted for their higher expenses. 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 a portion of the periods, the fund had expense limitations, without which returns would have been lower. For the most recent month-end performance, please visit putnam.com.

Highlights of five-year performance periods (4/7/15–9/30/22)*

| | 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 |
|----------|--------------------|----------------------|---------------------|-----------------------|-----------------------|---|-----------------------------------|-----------------------------------|
| Y shares | 4.77% | 3/31/21 | 2.08% | 12/31/21 | 2.79% | 100% | 10 | 0 |
| A shares | 4.50 | 3/31/21 | 1.82 | 12/31/21 | 2.53 | 100 | 10 | 0 |

* Based on annualized returns for quarterly rolling periods.

The ICE BofA (Intercontinental Exchange Bank of America) U.S. Treasury Bill Index is an unmanaged index that tracks the performance of U.S. dollar-denominated U.S. Treasury bills publicly issued in the U.S. domestic market. Qualifying securities must have a remaining term of at least one month to final maturity and a minimum amount outstanding of \$1 billion. The Bloomberg U.S. MBS Index is an unmanaged index of agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae, Fannie Mae, and Freddie Mac. ICE Data Indices, LLC (ICE BofA), used with permission. ICE BofA permits use of the ICE BofA indices and related data on an "as is" basis; makes no warranties regarding same; does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the ICE BofA indices or any data included in, related to, or derived therefrom; assumes no liability in connection with the use of the foregoing; and does not sponsor, endorse, or recommend Putnam Investments, or any of its products or services. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). Bloomberg or Bloomberg's licensors own all proprietary rights in the Bloomberg Indices. Neither Bloomberg nor Bloomberg's licensors approve or endorse this material, or guarantee the accuracy or completeness of any information herein, or make any warranty, express or implied, as to the results to be obtained therefrom, and to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith. You cannot invest directly in an index.

Morningstar 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 Morningstar. Morningstar rankings may differ significantly from Morningstar's risk-adjusted star ratings. Past performance is not indicative of future results.

Consider these risks before investing: 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 (such as a region of the United States), industry, or sector (such as the housing or real estate markets). These and other factors may lead to increased volatility and reduced liquidity in the fund's portfolio holdings or in relevant markets.

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). Default risk is generally higher for non-qualified mortgages. Interest-rate risk is generally greater for longer-term bonds, and credit risk is generally greater for below-investment-grade bonds. Mortgage- and asset-backed securities are subject to prepayment risk and the risk that they may increase in value less than other bonds when interest rates decline and decline in value more than other bonds when interest rates rise. The fund's investments in mortgage-backed securities and asset-backed securities, and in certain other securities and derivatives, may be or become illiquid. The fund's concentration in an industry group comprising privately issued residential and commercial mortgage-backed securities and mortgage-backed securities issued or guaranteed by the U.S. government or its agencies or instrumentalities may make the fund's net asset value more susceptible to economic, market, political, and other developments affecting the housing or real estate markets and the servicing of mortgage loans secured by real estate properties.

The fund currently has significant investment exposure to commercial mortgage-backed securities, which, during periods of difficult economic conditions, may experience an increase in delinquencies and losses as a result of the effects of those conditions on commercial real estate markets, the ability of commercial tenants to make loan payments, and the ability of a property to attract and retain commercial tenants. 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. Our use of short selling may result in losses if the securities appreciate in value.

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.

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