FRANKLIN TEMPLETON

Putnam Strategic Intermediate Municipal Fund

Class Y: PAMYX Class A: PPNAX | **Commentary | as of September 30, 2026**

Key Takeaways

- **Markets:** In the third quarter of 2026, new issuance of municipal (muni) bonds continued at a record pace, with issuance 8% higher than the third quarter of 2025 and year-to-date volume running 6% ahead of last year (Source: Bloomberg). By quarter-end, the yield on the benchmark 10-year US Treasury (UST) note had risen by 82 basis points (bps) to 5.28% - its highest level since mid-2007 - while the yield on the 30-year UST bond was 68 bps higher at 5.63%. The September Federal Open Market Committee (FOMC) meeting raised the fed funds target range by 25 bps to 3.75%–4.00%. Given that the hike was almost fully priced into the bond market, the genuinely new information was that the FOMC leans toward another increase, thus shifting the rates debate from a one-hike risk to how high a new tightening cycle might ultimately go.
- **Contributors:** Underweight allocations to the two- and five-year segments of the municipal yield curve. Overweight allocations to bonds with no external credit rating, and overweight exposures to BBB, BB and A rated bonds. Security selection within AA, A, BBB and AAA rated bonds.
- **Detractors:** Overweight allocation to the 10-year and longer segment of the municipal yield curve.
- **Outlook:** Municipal bond valuations are compelling relative to other fixed income sectors, in our view, giving investors an opportunity to harvest tax losses, rebalance duration and improve portfolio income without materially extending duration or relaxing credit standards. In a more challenging environment, strong bottom-up research and disciplined security selection will be essential to identifying relative value and preserving portfolio quality.

Performance Review

- Over the quarter, **Putnam Strategic Intermediate Municipal Fund fared worse than its benchmark**, the Bloomberg 3-15 Year Blend Municipal Bond Index.
- **The fund's yield curve positioning was a significant detractor from relative performance** during the quarter, primarily driven by an overweight to the 10-year and longer segments of the municipal yield curve. However, this was partially offset by our underweight positions in the two- and five-year portions of the curve, which contributed to performance.
- **Rating allocations lifted relative returns** for the period, led by our overweight allocation to bonds with no external credit rating, and overweight exposures to BBB, BB and A rated bonds. **Security selection also contributed to relative results**, mainly due to selection within AA, A, BBB and AAA rated bonds. There were no material detractors from rating allocation or security selection.

Outlook

- September's record supply and accelerating tax-loss selling tested market technicals, and the market struggled to absorb them. Munis trailed both Treasuries and corporates as yields rose across the curve and fund flows softened. Shorter-duration bonds held up better, as duration risk drove most of the losses. With supply likely to remain heavy, technicals will continue to be an important test of investor appetite, though the recent repricing may help attract buyers.
- Economic and credit fundamentals remain broadly supportive. Census estimates released in September showed second-quarter 2026 state and local tax collections at record levels, reflecting resilient labor markets and healthy tax bases, and stronger revenues should help issuers absorb rising costs. However, conditions vary materially across regions and credits, and credit outcomes are becoming more divergent. Tension between monetary and fiscal policy is also emerging as a key issue to watch, and we see scope for further yield curve steepening.
- In our view, the selloff has made absolute yields and relative valuations more compelling. Municipal yields now offer a substantial premium over comparable Treasuries at intermediate and longer maturities on a taxable-equivalent basis, with the long end offering the best relative value. Higher starting yields give investors an opportunity to harvest tax losses, rebalance duration and improve portfolio income without materially extending duration or relaxing credit standards. We favor capturing income and prioritizing quality over depending on a view of lower rates or tighter spreads. In this environment, active management and disciplined security selection remain essential to identifying relative value and preserving portfolio quality

Morningstar Rating™

Overall Rating as of September 30, 2026

★★★★★ **(5-Star)** Class Y

★★★★ **(4-Star)** Class A

As of 09/30/2026 the fund's Class Y shares received a 5 star and Class A shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 253, 238 and 179 Muni National Intermediate funds over the 3-, 5- and 10-year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics. The number of funds in the category for the Overall Rating are listed under the 3-year period.

Fund Characteristics	Fund
Distribution Frequency	Monthly
30-Day SEC Yield (Class Y)—With Waiver	4.20%
30-Day SEC Yield (Class Y)—Without Waiver	4.20%
Taxable Equivalent Yield (Class Y)—With Waiver	7.09%
Taxable Equivalent Yield (Class Y)—Without Waiver	7.09%

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of September 30, 2026

			Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception
Class	CUSIP	Ticker	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge	CDSC	Date
Class Y	746872886	PAMYX	-5.81	-3.30	-1.75	3.40	0.73	2.08	4.90	-5.81	-3.30	-1.75	3.40	0.73	2.08	4.90	0.65	0.65	—	—	9/9/1985
Class A	746872308	PPNAX	-5.80	-3.41	-1.93	3.17	0.50	1.84	4.95	-7.92	-5.58	-4.13	2.39	0.04	1.61	4.89	0.90	0.90	2.25	—	9/9/1985
Benchmark 1	—	—	-5.40	-4.08	-2.66	2.80	0.16	1.56	—	-5.40	-4.08	-2.66	2.80	0.16	1.56	—	—	—	—	—	—
Benchmark 2	—	—	-5.40	-4.08	-2.66	2.80	0.16	1.64	—	-5.40	-4.08	-2.66	2.80	0.16	1.64	—	—	—	—	—	—

Benchmark(s)

Benchmark 1=Bloomberg 3-15 Year Blend Municipal Bond Index

Benchmark 2=Putnam Strategic Intermediate Municipal Linked Benchmark

Performance data quoted represents past performance, which does not guarantee future results. *Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. Returns with sales charge reflect a deduction of the stated maximum sales charge. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Returns for periods of less than one year are not annualized. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please visit franklintempleton.com.*
The fund began offering Class Y shares on 1/2/2008 and the fund began offering Class A shares on 9/20/1993. Performance quotations have been calculated as follows: (a) Class Y periods prior to 1/2/2008 are based on the fund's Class B performance, which has not been adjusted for the lower operating expenses; had it been adjusted, performance would be higher; for Class A periods prior to 9/20/1993 are based on the fund's Class B performance, which has not been adjusted for the lower operating expenses; had it been adjusted, performance would be higher. (b) For periods after the share class offering, performance for the specific share class is used, reflecting the expenses and maximum sales charges applicable to that class.
The total annual operating expenses are as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns.

What are the Risks?

All investments involve risks, including possible loss of principal. Fixed income securities involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. **Active management** does not ensure gains or protect against market declines. An investor may be subject to the federal **Alternative Minimum Tax**, and state and local taxes may apply. These and other risks are discussed in the fund's prospectus.

Glossary

A **basis point (bp, or bps)** is one one-hundredth of one percent (1/100% or 0.01%).

Duration is a measure of the sensitivity of a bond's price to changes in interest rates.

The **Federal Open Market Committee (FOMC)** is the branch of the Federal Reserve that dictates U.S. monetary policy, specifically targeting the federal funds rate and managing open market operations.

The **yield curve** shows the relationship between yields and maturity dates for a similar class of bonds.

Important Information

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

The **Putnam Strategic Intermediate Municipal Linked Benchmark** represents the performance of the Bloomberg Municipal Bond Index through August 27, 2020, and the performance of the Bloomberg 3-15 Year Blend Municipal Bond Index thereafter. The **Bloomberg 3-15 Year Blend Municipal Bond Index** is an unmanaged index composed of investment-grade municipal securities ranging from 2 and 17 years in maturity.

Source: Bloomberg Indices.

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

The **30-day SEC yield** is calculated using the net income (interest and dividends) per share earned over a trailing 30-day period (annualized), divided by the fund's share price at the end of that period. It may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders.

Morningstar Rating™: Source: Morningstar®, 09/30/2026. For each mutual fund and ETF with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each 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 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. The fund's Class Y shares received a Morningstar Rating of 4, 5 and 5 and fund's Class A shares received a Morningstar Rating of 3, 4 and 4 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Class Y and Class A shares only. Other share classes may have different Morningstar ratings. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

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Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.

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