Putnam Ultra Short Duration Income Fund

Class Y: PSDYX Class A: PSDTX | **Commentary | as of March 31, 2025**

Key Takeaways

- There was a significant swing in financial market sentiment during the first quarter of 2025, as market participants digested the first few months of US President Donald Trump's new administration. January saw positive excess returns across several sectors as market sentiment moved higher in anticipation of new business friendly initiatives. This was replaced by a negative shift in risk appetites in February and March as unclear tariff policies became the market's focus.
- Within short-term rates, the secured overnight lending rate (SOFR) fell eight basis points (bps) and ended the quarter at 4.41%. Meanwhile, the two-year US Treasury note's yield fell by 36 bps to 3.88% as market participants recalibrated expectations for more aggressive US Federal Reserve (Fed) policy.
- Short-term corporate spreads were modestly wider during the quarter. The Bloomberg US 1-3 Year Corporate Bond Index spread settled at +58 bps after reaching +46 bps in mid-February.

Performance Review

- During the quarter, the portfolio posted a positive total return and outperformed its cash benchmark. Short-term Treasury yields staged a meaningful rally during the quarter as market participants priced in more Fed interest-rate cuts, which acted as a tailwind to relative returns. Meanwhile, short-term corporate spreads were range-bound throughout the quarter, but ended the period marginally wider.

Outlook

- We believe the macroeconomic outlook will be heavily influenced by the administration's entire economic policy package, including not just tariffs and immigration, but also deregulation and tax cuts (which are expected to follow). Against this backdrop, we think the overall balance of risks should limit the Fed to at most one rate cut this year.
- The team is actively monitoring portfolio exposures as market events evolve. We continue to structure the portfolio with capital preservation and liquidity as the primary goals and will dynamically position more conservatively or moderately as we anticipate different risk environments. We believe our disciplined portfolio construction is key to potentially reducing volatility and providing consistent liquidity.
- With respect to interest-rate positioning, the fund's duration remains at a "neutral" posture of 0.50 years. We hold a balanced allocation across fixed-rate securities and securities with a floating rate coupon tied to SOFR.
- From a credit quality standpoint, the portfolio is structured with a combination of lower-tier investment-grade (IG) securities [BBB or equivalent], generally maturing in one year or less, and upper-tier IG securities [A or AA], generally maturing in a range of one to four years. Within IG corporates, we continue to focus on companies with improving or stable credit trajectories and strong downside risk mitigation.
- Lastly, the fund continues to have an emphasis on liquidity management with consistent maturities. We believe this focus allows us to take advantage of market opportunities that raise and reduce the risk of being a forced seller in challenged markets.

Morningstar Rating™

Overall Rating as of March 31, 2025

★★★★ **(4-Star)** Class Y

★★★ **(3-Star)** Class A

As of 03/31/2025 the fund's Class Y shares received a 4 star and Class A shares received a 3 star overall Morningstar rating™, measuring risk-adjusted returns against 202, 184 and 113 Ultrashort Bond 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.

Fund Characteristics	Fund
Distribution Frequency	Monthly
Effective Duration	0.50 Years
30-Day SEC Yield (Class Y)—With Waiver	4.43%
30-Day SEC Yield (Class Y)—Without Waiver	4.36%

Sector Allocation (% of Total)

Sector	Fund
Banks	37.41
Consumer Discretionary	8.31
Insurance	6.83
Real Estate	5.49
Capital Markets	5.15
Energy	3.98
Short-Term Asset-Backed Securities	3.95
Industrials	3.60
Other	22.39
Net Cash	2.87

Credit Quality Allocation (% of Total)

Rating	Fund
A-1	1.31
A-2	15.37
A-3	0.77
AAA	7.16
AA	19.09
A	40.62
BBB	12.81
Cash & Cash Equivalents	2.87

Average annual total returns and fund expenses (%)

			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	74676P698	PSDYX	1.29	1.29	5.64	4.80	3.39	2.30	1.90	1.29	1.29	5.64	4.80	3.39	2.30	1.90	0.38	0.32	—	—	10/17/2011
Class A	74676P755	PSDTX	1.26	1.26	5.54	4.70	3.28	2.20	1.79	1.26	1.26	5.54	4.70	3.28	2.20	1.79	0.48	0.42	—	—	10/17/2011
Benchmark	—	—	1.04	1.04	5.04	4.25	2.55	1.89	—	1.04	1.04	5.04	4.25	2.55	1.89	—	—	—	—	—	—

Benchmark(s)

Benchmark =ICE BofA U.S. Treasury Bill Index

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.*
Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect contractual fee waivers, expense caps and/or reimbursements, which cannot be terminated prior to 11/30/2025 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice.

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. **Asset-backed, mortgage-backed or mortgage-related securities** are subject to prepayment and extension risks. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. **Active management** does not ensure gains or protect against market declines. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. 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%).

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 **ICE BofA 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. Source: The index data referenced herein is the property of Intercontinental Exchange ("ICE") and/or its licensors and has been licensed for use by Franklin Templeton. ICE and its licensors accept no liability in connection with this use.

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

Effective Duration is a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change. Duration measures the sensitivity of price (the value of principal) of a fixed-income investment to a change in interest rates. The higher the duration number, the more sensitive a fixed-income investment will be to interest rate changes. 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.

Credit Quality is a measure of a bond issuer's ability to repay interest and principal in a timely manner. The credit ratings shown are based on each portfolio security's rating as provided by Standard and Poor's, Moody's Investors Service and/or Fitch Ratings, Ltd. and typically range from AAA for long term or A-1 for short term (highest) to D (lowest), or an equivalent and/or similar rating. For this purpose, if two or more of the agencies have assigned differing ratings to a security, the highest rating is used. Securities that are unrated by all three agencies are reflected as such. The credit quality of the investments in the fund's portfolio does not apply to the stability or safety of the fund. These ratings are updated monthly and may change over time. **Please note, the fund itself has not been rated by an independent rating agency.**

Morningstar Rating™: Source: Morningstar®, 03/31/2025. 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, 4 and 3 and fund's Class A shares received a Morningstar Rating of 4, 3 and 3 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.

Putnam funds are not exchangeable for other funds distributed by Franklin Distributors, LLC. Prior to August 2, 2024, Putnam Retail Management, LP served as distributor of Putnam funds and services.

Franklin Distributors, LLC. Member FINRA/SIPC.

© Franklin Templeton. All rights reserved.

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.

FRANKLIN TEMPLETON