

Putnam Short-Term Municipal Income Fund

Class Y: PSMYX Class A: PSMEX

Commentary | as of September 30, 2025

Key Takeaways

- Markets: In the third quarter of 2025 (Q3), new issuance of municipal (muni) bonds exceeded the average seen in the
 past few years, driven by a 34% year-over-year surge in July issuance. By quarter end, the yield on the benchmark 10year US Treasury (UST) note fell by eight basis points (bps) to 4.15%, while the 30-year UST yield decreased by four bps
 to 4.73%. US markets rose on clearer tariff policies, economic resilience, and a more dovish Fed, which cut rates by 25
 bps to 4.00%-4.25% in September.
- Contributors: Overweight allocation to muni bonds with 10 or more years to maturity, security selection in A rated bonds and overweight allocation to A rated bonds.
- Detractors: Security selection in AAA and underweight allocation to muni bonds with two years to maturity.
- Outlook: Municipal bond valuations continue to appear attractive, particularly on a tax-adjusted basis. 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 Short-Term Municipal Income Fund outperformed its benchmark, the Bloomberg 3-Year Municipal Bond Index.
- The fund's yield curve positioning detracted from relative performance during the third quarter, primarily driven by our
 underweight to muni bonds with two years to maturity. However, our overweight to muni bonds with 10 or more years to
 maturity added to returns.
- Rating allocations benefited relative returns for the period, led by our overweight to A rated bonds and with no external credit
 rating. Security selection contributed to relative results, particularly due to selection in A and AA rated securities. In contrast,
 selection in AAA rated securities detracted from relative performance.

Outlook

- Muni bond issuance exceeded historical averages in Q3 as issuers, who had been reluctant to issue new bonds under the
 looming threat to their tax-exempt status, came to market. Positive fund flows into the asset class were not able to keep up
 with the supply. The muni bond yield curve continues to steepen with longer-maturity bond valuations cheapening
 somewhat.
- Fundamentals remain broadly stable, however, as the economy slows and inflationary pressures ease, tax revenue growth at the state and local level is expected to moderate, placing greater importance on credit selectivity going forward.
- Municipal bond valuations continue to appear attractive, particularly on a tax-adjusted basis. Yields are near multi-year highs
 allowing investors to lock in compelling income. In a more challenging environment, we believe strong bottom-up research
 and disciplined security selection will be essential to identifying relative value and preserving portfolio quality.

Morningstar Rating™

Overall Rating as of September 30, 2025



(4-Star) Class Y



(3-Star) Class A

As of 09/30/2025 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 213, 197 and 155 Muni National Short 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		
30-Day SEC Yield (Class Y)—With Waiver	2.97%		
30-Day SEC Yield (Class Y)—Without Waiver	2.89%		
Taxable Equivalent Yield (Class Y)—With Waiver	5.02%		
Taxable Equivalent Yield (Class Y)—Without Waiver	4.88%		

Average annual total returns and fund expenses (%) - as of September 30, 2025

			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	74676A824	PSMYX	1.56	3.50	3.54	4.17	2.00	1.83	1.61	1.56	3.50	3.54	4.17	2.00	1.83	1.61	0.47	0.36	_	_	3/18/2013
Class A	74676A865	PSMEX	1.49	3.31	3.18	3.91	1.75	1.57	1.35	-0.79	0.98	0.86	3.12	1.28	1.34	1.17	0.72	0.61	2.25	_	3/18/2013
Benchmark	_	_	1.52	3.63	3.20	3.75	1.26	1.60	_	1.52	3.63	3.20	3.75	1.26	1.60	_	_	_	_	_	_

Benchmark(s)

Benchmark = Bloomberg 3-year Municipal Bond 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 analized. 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 03/31/2026 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. 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%).

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 **Bloomberg 3-Year Municipal Bond Index** is a subset of the Bloomberg Municipal Bond Index that measures the performance of investment-grade issues with remaining maturities of two to four years. 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®, 09/30/2025. 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 for 50-119 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 4 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.

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.

