FRANKLIN TEMPLETON

Putnam Strategic Intermediate Municipal Fund

United States - Retail

Class Y
December 31, 2024

Product Commentary

Performance Review

- The municipal (muni) bond market, as measured by the Bloomberg Municipal Bond Index,[1] recorded negative total returns for the fourth quarter of 2024 but fared better than US Treasuries. During the period, continued economic resilience and sticky price pressures resulted in a cautious tone from the US Federal Reserve (Fed).[2] While policymakers delivered two 25-basis point (bp) interest-rate cuts, accompanying statements penciled in only two more for 2025, fewer than previously expected. Data for US gross domestic product for 2024's third quarter showed an annualized increase of 3.1%, indicating a modest acceleration from the second quarter's 3.0% expansion. Against this backdrop, demand for muni bonds was robust, and new tax-exempt bond issuance—though higher than that recorded in 2023—moderated somewhat compared with the prior quarter. General obligation bonds fared better than revenue-related issues, while there was no clear trend in performance between lower-rated securities and their higher-quality counterparts. However, high-yield (HY) securities fared better than investment grade-rated (IG) debt.

QUARTERLY KEY PERFORMANCE DRIVERS

	Duration	Quality
HELPED	Underweight to and Security Selection in Municipal Bonds with 22 or More Years to Maturity	Security Selection in Bonds with No External Credit Rating
	—	—
	—	—
HURT	Overweight to and Security Selection in Bonds with 12 to 22 Years to Maturity	Security Selection in AA Rated Bonds
	Underweight to and Security Selection in Bonds with Less Than Two Years to Maturity	Security Selection in A Rated Bonds
	—	Security Selection in AAA Rated Bonds

- The fund's slightly long duration[3] positioning when compared with the benchmark detracted from relative performance during the fourth quarter. Against a backdrop of rising yields, our positioning among muni bonds with 12 to 22 years to maturity, as well as among bonds with less than two years to maturity, hindered results. In contrast, our holdings of muni bonds with 22 or more years to maturity lifted returns.
- Overall, the fund's relative credit quality positioning also hurt quarterly results, driven by selection among AA, A and AAA rated issuers. However, our selection in bonds with no external credit rating benefited relative returns. We continue to find opportunities among lower-rated IG bonds and the higher-quality portions of the HY market.

Outlook & Strategy

- The quarter saw investor sentiment oscillate between optimism around a resilient US economy and the prospect that a Republican-led government might further support growth, and concerns that this would mean fewer policy rate cuts from the Fed. As a result, total returns were mixed across fixed income asset classes; tax-free muni bonds recorded negative total returns over the three months under review. However, demand for new muni bond sales remained robust, with anecdotal evidence suggesting that many new issue deals continue to be oversubscribed. Going forward, we expect investors to still be drawn by the historically elevated yields on offerings, which can be particularly appealing for those investors who target tax-adjusted income.
- Fundamentals in the muni market remain stable and should be supportive of the asset class over the medium to long term. Healthy economic growth has allowed states, counties and many municipalities to bolster their reserves, which means that they are well-positioned to deal with any potential financial challenges that may arise. The fundamental strength of muni issuers is reflected in a 15-quarter streak of credit rating upgrades outpacing downgrades (as of 2024's third quarter, based on ratings from Moody's Ratings and S&P Global). However, certain tailwinds that have been contributing to credit strength over recent years are waning somewhat. As the economy cools and inflation eases, tax revenue growth across state and local governments is projected to moderate or decline. While we are not worried about a spike in defaults, more challenging conditions will mean that rigorous bottom-up research and strong security selection will be particularly important over the coming quarters.
- In the United States, sentiment indicators across businesses and consumers point to an optimistic outlook, as a Republican-controlled administration is expected to support economic growth in 2025. Some of the policy changes that we anticipate include a more business-friendly regulatory environment—which should boost investment—and increased tariffs, which are causing some uncertainty but are likely to have only a modest negative impact on the economy. What we as fixed income investors will be watching, however, is the fiscal deficit, since President-elect Donald Trump's campaign promises add up to a large increase in government expenditure. Persistently loose fiscal policy might make the Fed's job of getting inflation back to its 2% target even more difficult. Consequently, we expect only a shallow easing cycle in monetary policy. Since we believe that the Fed's "neutral" rate lies around 4% and its policy is unlikely to need to turn accommodative, we might see only one 25-bp rate reduction in 2025. Less easing might mean continued volatility in fixed income markets, which, we believe, can potentially provide attractive entry points into the tax-exempt muni bond sector for investors. We believe there are opportunities to find value across the credit spectrum.

1. The **Bloomberg Municipal Bond Index** is a broad measure of the municipal bond market with maturities of at least one year. Source: Bloomberg Indices.

2. The **Federal Reserve ("Fed")** is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

3. **Duration** is a measurement that signals how much the price of a bond is likely to fluctuate when there is a change in interest rates. The higher the duration number, the more sensitive a bond will be to interest rate changes.

Fund Details

Inception Date	09/09/1985
Benchmark	Bloomberg 3-15 Year Blend Municipal Bond Index, Putnam Strategic Intermediate Municipal Linked Benchmark

Fund Description

The fund seeks as high a level of current income exempt from federal income tax as we believe is consistent with preservation of capital by pursuing opportunities across the municipal market.

Performance Data

Average Annual Total Returns[1] (%)

	1 Mth	3 Mths	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
Class Y - With Sales Charges[a]	-1.07	-0.99	2.19	0.52	1.70	2.63	5.08	09/09/1985
Class Y - Without Sales Charges[a]	-1.07	-0.99	2.19	0.52	1.70	2.63	5.08	09/09/1985
Bloomberg 3-15 Year Blend Municipal Bond Index	-1.09	-1.16	0.71	-0.21	1.05	2.12	-	-
Putnam Strategic Intermediate Municipal Linked Benchmark	-1.09	-1.16	0.71	-0.21	1.03	2.27	-	-

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. 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 call Franklin Templeton at (800) DIAL BEN/(800) 342-5236 or visit www.franklintempleton.com.*

An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

The fund began offering Class Y shares on 1/2/2008. Performance quotations for 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.

Share Class Details

			Sales Charges		Expenses		30-Day SEC Yields[2]		Taxable Equivalent Yields	
	CUSIP	Ticker	Max	CDSC	Gross	Net	Without Waiver	With Waiver	Without Waiver	With Waiver
Class Y	746872886	PAMYX	–	–	0.65%	0.65%	3.32%	3.32%	5.61%	5.61%

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.

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.

1. Periods shorter than one year are shown as cumulative total returns.
2. The fund's 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.

Investment Team

Garrett L Hamilton, CFA
Years with Firm 8
Years Experience 18

Paul M Drury, CFA
Years with Firm 35
Years Experience 35

James Conn, CFA
Years with Firm 32
Years Experience 38

Francisco Rivera
Years with Firm 30
Years Experience 31

Daniel Workman, CFA
Years with Firm 21
Years Experience 22

Benjamin C. Barber, CFA
Years with Firm 13
Years Experience 33

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.

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. Putnam funds are not exchangeable for other funds distributed by Franklin Distributors, LLC.

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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a. Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Net expenses are capped under a contractual agreement, which cannot be terminated prior to 11/30/2025 without Board consent. Actual expenses may be higher and may impact portfolio returns.

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