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PUTNAM PREMIER INCOME TRUST

Form N-CSR

March 29, 2005

Putnam  
Premier  
Income  
Trust

Item 1. Report to Stockholders:  
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The following is a copy of the report transmitted to stockholders pursuant to Rule 30e-1 under the Investment Company Act of 1940:

SEMIANNUAL REPORT ON PERFORMANCE AND OUTLOOK

1-31-05

[GRAPHIC OMITTED: WATCH]

[SCALE LOGO OMITTED]

From the Trustees

[GRAPHIC OMITTED: PHOTO OF JOHN A. HILL AND GEORGE PUTNAM, III]

John A. Hill and  
George Putnam, III

Dear Fellow Shareholder:

During the past several months, Putnam has introduced a number of reforms for the benefit of shareholders, including increasing the amount of disclosure for our funds. We are now including additional disclosure about your fund's management team. Following the Outlook for Your Fund, we provide manager compensation information that pertains to your fund and list any changes in your fund's Portfolio Leader and Portfolio Members during the prior year period, as well as these individuals' other fund management responsibilities at Putnam. We also show how much these individuals have invested in the fund (in dollar ranges), and fund ownership (in dollar ranges) is also shown for the members of Putnam's Executive Board. Finally, on page 13, we provide certain information about the most recent approval of your fund's management contract with Putnam by the Trustees.

We are also pleased to announce that three new Trustees have joined your fund's Board of Trustees. Nominated by your fund's independent Trustees, these individuals have had outstanding careers as leaders in the investment management industry. Myra R. Drucker is a Vice Chair of the Board of Trustees of Sarah Lawrence College and serves as ex-officio member and past Chair of the New York Stock Exchange (NYSE) Pension Managers Advisory Committee and as a Trustee of Commonfund, a not-for-profit asset management firm. Richard B. Worley is Managing Partner of Permit Capital LLC, an investment management firm. Both Ms. Drucker and Mr. Worley are independent Trustees (i.e., Trustees who are not "interested persons" of your fund or its investment advisor). Charles E. Haldeman, Jr., the third new Trustee, is President and Chief Executive Officer of Putnam Investments. We also announce the departure of one of your fund's Trustees, A.J.C. Smith, formerly Chairman of Putnam Investments and Consultant to Marsh & McLennan Companies, Inc.

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Finally, we would like to welcome shareholders of Putnam Master Income Trust, a multi-sector fixed-income fund with a similar objective and strategy as your fund, who have become shareholders of this fund as a result of a recently completed merger between the two funds.

In the following pages, your fund's management team discusses performance, strategy, and its outlook for the remainder of fiscal 2005.

Respectfully yours,

/S/ JOHN A. HILL

/S/ GEORGE PUTNAM, III

John A. Hill  
Chairman of the Trustees

George Putnam, III  
President of the Funds

March 16, 2005

Report from Fund Management

Fund highlights

- \* During the semiannual period ended January 31, 2005, Putnam Premier Income Trust had a total return at net asset value (NAV) of 7.43%. The fund's return at market price was 9.53%.
- \* The fund's primary benchmark, the Lehman Government Bond Index, returned 3.30% for the same period.
- \* The average return for the fund's Lipper category, Flexible Income Funds (closed-end), was 8.25%.
- \* After the end of the period, Putnam Master Income Trust was merged into your fund. See page 5 for details.
- \* See the Performance Summary beginning on page 10 for additional fund performance, comparative performance, and Lipper data.

Performance commentary

During the past six months, shorter-maturity bond yields have risen as the U.S. Federal Reserve Board (the Fed) has continued its gradual series of interest-rate increases. Meanwhile, yields on longer-term bonds declined somewhat, responding to generally moderate global inflation. Longer-maturity bond performance was also bolstered by increased demand from pension funds. The fund's high-yield and emerging-market bonds performed well, enabling the fund to outperform its benchmark by a significant margin although results at NAV lagged the average for the fund's Lipper category. It is important to note that a fund's performance at market price may differ from its results at NAV. Although market price performance generally reflects investment results, it may also be influenced by several other factors, including changes in investor perceptions of the fund or its investment advisor, market conditions, fluctuations in supply and demand for the fund's shares, and changes in fund distributions.

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TOTAL RETURN FOR  
PERIODS ENDED 1/31/05  
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Market

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(inception 2/29/88)	NAV	Price
6 months	7.43%	9.53%
1 year	8.48	6.47
5 years	51.16	68.91
Annual average	8.61	11.05
10 years	118.62	121.70
Annual average	8.14	8.29
Annual average (life of fund)	8.55	7.50

Data is historical. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return, net asset value, and market price will fluctuate and you may have a gain or a loss when you sell your shares. Performance assumes reinvestment of distributions and does not account for taxes.

### FUND PROFILE

Putnam Premier Income Trust is designed for investors seeking a high level of current income. The fund maintains flexibility across three sectors -- U.S. government and agencies, high-yield corporate, and international -- to seek maximum current income without undue risk to capital. The fund may be appropriate for investors seeking a higher level of income who can accept a moderately higher level of risk.

### Market overview

Global bond markets have enjoyed a favorable set of circumstances during the past six months. Most sectors have produced positive returns, with riskier sectors -- including corporate high-yield bonds and emerging-market bonds -- continuing to outperform the higher-quality investment-grade corporate, government, and agency sectors. While short-term interest rates generally rose during the period, following the Fed's lead, the Fed's clear communication of its tightening policy and its measured pace of rate increases resulted in no surprises. This clarity was beneficial for longer-term bondholders, who remained focused on economic data. Consequently, while the federal funds rate rose from 1.00% in June 2004 to 2.50% on February 2, 2005 (just after the end of the reporting period), long-term rates moved downward, as low inflation and stable economic conditions helped investors remain generally positive. The rise in short rates and decline in long rates therefore caused a narrowing in the spread between the two, causing the yield curve -- a graphical depiction of all bond yields -- to flatten.

Although turmoil continued in Iraq and the Middle East, other uncertainties that have preoccupied investors -- including fears of terrorism and the close U.S. presidential election -- have lessened. Generally positive economic conditions, low interest rates on high-quality bonds, and a weak dollar drew investors into riskier bond sectors that provided higher income levels. As a result, high-yield corporate bonds and emerging-market securities outperformed. In the high-yield sector, default rates continued to decline, and, combined with positive global economic growth, attracted investors and resulted in strong demand for these securities. Emerging markets generally

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benefited from high energy and commodities prices, solid economic growth, and an overall reduction of perceived risk. The weak dollar also helped bolster returns in emerging-market securities for U.S. investors.

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### MARKET SECTOR PERFORMANCE 6 MONTHS ENDED 1/31/05

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#### Bonds

Lehman Government Bond Index (U.S. Treasury and agency securities)	3.30%
Citigroup Non-U.S. World Government Bond Index (international government bonds)	13.07%
JP Morgan Global High Yield Index (global high-yield corporate bonds)	7.72%
JP Morgan Global Diversified Emerging Markets Bond Index (global emerging-market bonds)	11.03%

#### Equities

S&P 500 Index (broad stock market)	8.16%
MSCI EAFE Index (international stocks)	16.68%
Russell 2000 Index (small-company stocks)	13.88%

These indexes provide an overview of performance in different market sectors for the six months ended 1/31/05.

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#### Strategy overview

While the fund's emerging-market and high-yield corporate bond holdings provided the strongest performance, we had begun trimming these positions before the period began and reduced these weightings further during the period. These sectors have seen such strong performance over the past few years that we believed they were no longer attractively valued. Moreover, although global economic growth continued at a solid pace, it has slowed from prior years.

Within the high-yield corporate sector, we upgraded credit quality by selling CCC-rated and B-rated bonds and buying bonds with BB-ratings. We used the proceeds of the sales to increase the fund's weighting in mortgage-backed securities (MBSs), asset-backed securities (ABSs), and commercial mortgage-backed securities (CMBSs), all of which had solid returns during the period. These securities are generally high in credit quality and have shorter maturities, or durations, meaning that they are likely to be less sensitive to an increase in interest rates. Moreover, their shorter maturities give us the flexibility to reinvest more frequently, which would be beneficial if interest rates were to rise. We found CMBSs particularly attractive because they offered higher yields than corporate bonds of roughly the same credit quality.

We increased the fund's position in bank loans during the period. These securities offer a higher level of credit quality than high-yield bonds. In addition, they offer floating interest rates that, like an adjustable home mortgage, move with market rates and therefore can provide protection of principal from interest-rate risk.

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[GRAPHIC OMITTED: horizontal bar chart TOP SECTOR WEIGHTINGS COMPARED]

### TOP SECTOR WEIGHTINGS COMPARED

	as of 7/31/04	as of 1/31/05
High yield	40.9%	42.1%
U.S. investment grade	39.1%	40.9%
International	20.0%	17.0%

#### Footnote reads:

This chart shows how the fund's top weightings have changed over the last six months. Weightings are shown as a percentage of net assets. Holdings will vary over time.

#### How fund holdings and sectors affected performance

As already mentioned, we reduced the fund's exposure to corporate high-yield bonds and increased its allocation to mortgage-backed securities (MBSs), asset-backed securities (ABSs), and commercial mortgage-backed securities (CMBSs). Within the MBS group, we acquired high-coupon GNMA (Government National Mortgage Association) securities, which were less likely to be prepaid and therefore performed well. The fund also owned reperforming GNMA, which are traditional MBSs in which the borrowers have become delinquent in making payments for a period of time. As a result, these securities are less likely to be refinanced than other types of MBSs. We believed the reperforming GNMA did not represent a major credit risk, and the fund benefited from the higher income that they produced.

The fund's CMBS holdings performed well, as investors were attracted to their combination of relatively high income and strong credit quality. These securities are backed both by the issuers that pool the securities and the individual corporations issuing the mortgages. Given the relative strength of the economic recovery over the past few years, this credit quality has generally been strong.

[GRAPHIC OMITTED: TOP HOLDINGS]

#### TOP HOLDINGS

(Percent of fund's net assets as of 1/31/05)

#### High-yield sector

- 1 AT&T Corp (0.7%)  
Sr. notes 9 3/4%, 2031
- 2 Consec Finance Securitizations Corp.  
(0.4%)  
Ser. 01-3, Class A4, 6.91%, 2033
- 3 Consec Finance Securitizations Corp.  
(0.4%)  
Ser. 00-4, Class A6, 8.31s, 2032

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International sector

- 1 France (Government of) (1.2%)  
Bonds 4%, 2013
- 2 Germany (Federal Republic of) (1.0%)  
Bonds Ser. 97, 6%, 2007
- 3 Russia (Federation of) (0.9%)  
144A unsub. Stepped-coupon 5%  
(7 1/2%, 3/31/07), 2030

U.S. investment-grade sector

- 1 Federal Home Loan Mortgage Corporation (4.2%)  
6 1/2%, with due dates from July 1, 2028 to September 1, 2034
- 2 U.S. Government Treasury Bonds (4.0%)  
6 1/4%, May 15, 2030
- 3 Federal National Mortgage Association Pass-Through Certificates (3.2%)  
4 1/2%, TBA, February 1, 2020

The fund's holdings will change over time.

The fund's international government bond holdings, including bonds from the United Kingdom, Germany, France, and Canada, performed well, responding to solid economic growth and declining longer-term interest rates. The fund's European government holdings were also bolstered by the currency effect of the weak dollar.

Although the fund's emerging-market weighting had been reduced prior to the beginning of the period, we continued to pare back these holdings during their strong performance of the past six months. These securities have performed well over the past several years as a result of strong growth in many emerging-market countries, due to gains in manufacturing and exports to other rapidly growing countries, as well as exports of metals, oil, and natural gas, all of which have risen significantly in price. Bonds from Russia, Colombia, and Brazil delivered particularly strong performance.

Finally, with over 10% of the fund's assets invested in foreign bonds, currency appreciation due to the decline in the dollar versus other major currencies -- especially the euro -- made a significant and positive contribution to returns.

Please note that all holdings discussed in this report are subject to review in accordance with the fund's investment strategy and may vary in the future.

OF SPECIAL INTEREST

Merger with Putnam Master Income Trust completed

During the period, shareholders of Putnam Master Income Trust and Putnam Premier Income Trust approved a merger of Putnam Master Income Trust into Putnam Premier Income Trust, and the merger was recently completed on February 28, 2005. Putnam Master Income Trust is a closed-end,

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multi-sector fixed-income fund whose objectives, strategy, and investments are substantially similar to those of your fund. The merger, which occurred on February 25, 2005, should result in lower expenses for shareholders of each fund due to the larger asset base of the combined fund.

The outlook for your fund

The following commentary reflects anticipated developments that could affect your fund over the next six months, as well as your management team's plans for responding to them.

The past two years have seen strong returns in the emerging and high-yield corporate bond markets, reflecting a global economic recovery. We continue to believe, as we did six months ago, that certain headwinds could have a negative impact on the performance of lower-quality bond sectors. First, the current high level of energy prices may act as a tax and reduce both consumer and corporate spending. And second, higher short-term interest rates and lower long-term interest rates have resulted in a flattening of the yield curve, which represents yields on bonds of all maturities. This flattening has reduced the incentive for investors to take more risk by buying longer-maturity bonds. Similarly, the narrowing of the credit yield spread -- the difference in yield between lower- and higher-quality bonds -- has also reduced the incentive for investors to take on greater credit risk because lower-quality bonds are not paying as high an interest rate as they did a year or two ago.

On the positive side, inflation remains low and there do not appear to be any imminent threats to the stability of the global economy, which is still growing at a solid, positive rate. Nevertheless, we have positioned the fund to have a shorter average maturity and shorter duration -- or lower interest-rate sensitivity -- and we have generally improved the overall credit quality in the portfolio. We believe these are prudent measures given the current state of the global economy and bond markets.

The views expressed in this report are exclusively those of Putnam Management. They are not meant as investment advice. International investing involves certain risks, such as currency fluctuations, economic instability, and political developments. Additional risks may be associated with emerging-market securities, including illiquidity and volatility. Mutual funds that invest in bonds are subject to certain risks, including interest-rate risk, credit risk, and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. Lower-rated bonds may offer higher yields in return for more risk. Mutual funds that invest in government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk.

Your fund's management

Your fund is managed by the members of the Putnam Core Fixed-Income and Core Fixed-Income High-Yield teams. D. William Kohli is the Portfolio Leader, and Rob Bloemker, Jeffrey Kaufman, Stephen Peacher, and David Waldman are Portfolio Members of your fund. The Portfolio Leader and

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Portfolio Members coordinate the teams' management of the fund.

For a complete listing of the members of the Putnam Core Fixed-Income and Core Fixed-Income High-Yield teams, including those who are not Portfolio Leaders or Portfolio Members of your fund, visit Putnam's Individual Investor Web site at [www.putnaminvestments.com](http://www.putnaminvestments.com).

### Fund ownership

The table below shows how much the fund's current Portfolio Leader and Portfolio Members have invested in the fund (in dollar ranges). Information shown is for the current and prior year ended January 31.

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#### FUND PORTFOLIO LEADER AND PORTFOLIO MEMBERS

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			\$1 - \$10,000	\$10,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$500,000	\$500,001 -\$1,000,000
D. William Kohli	2005	*					
Portfolio Leader	2004	*					
Rob Bloemker	N/A						
Portfolio Member	N/A						
Jeffrey Kaufman	N/A						
Portfolio Member	N/A						
Stephen Peacher	N/A						
Portfolio Member	N/A						
David Waldman	2005	*					
Portfolio Member	2005	*					

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N/A indicates that the individual became a Portfolio Member after the reporting date.

### Fund manager compensation

The total 2004 fund manager compensation that is attributable to your fund is approximately \$800,000. This amount includes a portion of 2004 compensation paid by Putnam Management to the fund managers listed in this section for their portfolio management responsibilities, calculated based on the fund assets they manage as a percentage of the total assets they manage. The compensation amount also includes a portion of the 2004 compensation paid to the Chief Investment Officers of the teams and the Group Chief Investment Officer responsible for the fund's broader investment category for their oversight responsibilities, calculated



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based on the fund assets they oversee taken as a percentage of the total assets they oversee. These percentages are determined as of the fund's fiscal period-end. For personnel who joined Putnam Management during or after 2004, the calculation reflects annualized 2004 compensation or an estimate of 2005 compensation, as applicable.

Other Putnam funds managed by  
the Portfolio Leader and Portfolio Members

D. William Kohli is also a Portfolio Leader of Putnam Diversified Income Trust and Putnam Master Intermediate Income Trust, and a Portfolio Member of Putnam Global Income Trust.

Rob Bloemker is also a Portfolio Member of Putnam American Government Income Fund, Putnam Diversified Income Trust, Putnam Income Fund, Putnam Limited Duration Government Income Fund, Putnam Master Intermediate Income Trust, and Putnam U.S. Government Income Trust.

Jeffrey Kaufman is also a Portfolio Member of Putnam Diversified Income Trust and Putnam Master Intermediate Income Trust.

Stephen Peacher is also a Portfolio Leader of Putnam Floating Rate Income Fund, Putnam High Yield Advantage Fund, Putnam High Yield Trust, and Putnam Managed High Yield Trust. He is also a Portfolio Member of Putnam Diversified Income Trust and Putnam Master Intermediate Income Trust.

David Waldman is also a Portfolio Member of Putnam Diversified Income Trust and Putnam Master Intermediate Income Trust.

D. William Kohli, Rob Bloemker, Jeffrey Kaufman, Stephen Peacher, and David Waldman may also manage other accounts and variable trust funds advised by Putnam Management or an affiliate.

### Changes in your fund's Portfolio Leader and Portfolio Members

Your fund's Portfolio Leader and Portfolio Members did not change during the year ended January 31, 2005. After the close of the period, Rob Bloemker, Jeffrey Kaufman, and Stephen Peacher became Portfolio Members of your fund.

### Fund ownership

The table below shows how much the members of Putnam's Executive Board have invested in the fund (in dollar ranges). Information shown is for the current and prior year ended January 31.

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#### PUTNAM EXECUTIVE BOARD

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	Year	\$0	\$1 - \$10,000	\$10,001 - \$50,000	\$50,001- \$100,000	\$100, and o
Philippe Bibi	2005	*				
Chief Technology Officer	2004	*				

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John Boneparth	2005	*
Head of Global Institutional Mgmt	2004	*
Joshua Brooks	N/A	
Deputy Head of Investments	N/A	
Kevin Cronin	2005	*
Head of Investments	N/A	
Charles Haldeman, Jr.	2005	*
President and CEO	2004	*
Amrit Kanwal	2005	*
Chief Financial Officer	N/A	
Steven Krichmar	2005	*
Chief of Operations	N/A	
Francis McNamara, III	2005	*
General Counsel	N/A	
Richard Monaghan	2005	*
Head of Retail Management	2004	*
Richard Robie, III	2005	*
Chief Administrative Officer	N/A	
Edward Shadek	N/A	
Deputy Head of Investments	N/A	

N/A indicates the individual joined Putnam's Executive Board after the reporting date.

Performance summary

This section shows your fund's performance during the first half of its fiscal year, which ended January 31, 2005. In accordance with regulatory requirements, we also include performance for the most current calendar quarter-end. Performance should always be considered in light of a fund's investment strategy. Data represents past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return, net asset value, and market price will fluctuate and you may have a gain or a loss when you sell your shares.

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TOTAL RETURN FOR PERIODS ENDED 1/31/05

	NAV	Market price
6 months	7.43%	9.53%
1 year	8.48	6.47
5 years	51.16	68.91
Annual average	8.61	11.05
10 years	118.62	121.70
Annual average	8.14	8.29
Annual average Life of fund (since 2/29/88)	8.55	7.50

Performance assumes reinvestment of distributions and does not account for taxes.

COMPARATIVE INDEX RETURNS FOR PERIODS ENDED 1/31/05

	Lehman Government Bond Index	Citigroup Non-U.S. World Government Bond Index	JP Morgan Global High Yield Index*	Lipper Income (clo cate aver
6 months	3.30%	13.07%	7.72%	8.25
1 year	3.27	9.85	9.55	8.39
5 years	44.10	53.99	44.87	43.18
Annual average	7.58	9.02	7.70	7.28
10 years	102.78	94.70	125.81	121.05
Annual average	7.33	6.89	8.49	8.07
Annual average Life of fund (since 2/29/88)	7.65	7.64	--	8.33

Index and Lipper results should be compared to fund performance at net asset value. Lipper calculations for reinvested dividends may differ from actual performance.

\* The inception date of the JP Morgan Global High Yield Index was 12/31/93.

+ Over the 6-month and 1-, 5-, and 10-year periods ended 1/31/05, there were 10 funds in this Lipper category.

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PRICE AND DISTRIBUTION INFORMATION 6 MONTHS ENDED 1/31/05  
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Putnam Premier Income Trust  
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Distributions (number)	6	
Income	\$0.234	
Capital gains	--	
Total	\$0.234	
Share value:	NAV	Market price
7/31/04	\$7.03	\$6.29
1/31/05	7.29	6.65
Current return (end of period)		
Current dividend rate 1	6.42%	7.04%

1 Most recent distribution, excluding capital gains, annualized and divided by NAV or market price at end of period.

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TOTAL RETURN FOR PERIODS ENDED 12/31/04 (MOST RECENT CALENDAR QUARTER)  
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	NAV	Market price
6 months	8.07%	12.52%
1 year	9.84	7.27
5 years	49.36	65.88
Annual average	8.35	10.65
10 years	119.31	127.75
Annual average	8.17	8.58
Annual average Life of fund (since 2/29/88)	8.56	7.43

Terms and definitions

Total return shows how the value of the fund's shares changed over time, assuming you held the shares through the entire period and reinvested all distributions in the fund.

Net asset value (NAV) is the value of all your fund's assets, minus any liabilities, divided by the number of outstanding shares.

Market price is the current trading price of one share of the fund. Market prices are set by transactions between buyers and sellers on

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exchanges such as the American Stock Exchange and the New York Stock Exchange.

### Comparative indexes

Citigroup Non-U.S. World Government Bond Index is an unmanaged index of global investment-grade fixed-income securities, excluding the United States.

JP Morgan Global Diversified Emerging Markets Bond Index is an unmanaged index of global emerging-market fixed-income securities.

JP Morgan Global High Yield Index is an unmanaged index of global high-yield fixed-income securities.

Lehman Government Bond Index is an unmanaged index of U.S. Treasury and agency securities.

Morgan Stanley Capital International (MSCI) EAFE Index is an unmanaged index of equity securities from developed countries in Western Europe, the Far East, and Australasia.

Russell 2000 Index is an unmanaged index of the 2,000 smallest companies in the Russell 3000 Index.

S&P 500 Index is an unmanaged index of common stock performance.

Indexes assume reinvestment of all distributions and do not account for fees. Securities and performance of a fund and an index will differ. You cannot invest directly in an index.

Lipper is a third-party industry ranking entity that ranks funds (without sales charges) with similar current investment styles or objectives as determined by Lipper. Lipper category averages reflect performance trends for funds within a category and are based on results at net asset value.

Trustee approval of  
management contract

### General conclusions

The Board of Trustees of the Putnam funds oversees the management of each fund and, as required by law, determines annually whether to approve the continuance of each fund's management contract with Putnam Management. In this regard the Board of Trustees, with the assistance of its Contract Committee consisting solely of Independent Trustees, requests and evaluates all information it deems reasonably necessary in the circumstances. Over the course of several months beginning in March and ending in June of 2004, the Contract Committee reviewed the information provided by Putnam Management and other information developed with the assistance of the Board's independent counsel and independent staff. The Contract Committee reviewed and discussed key aspects of this information with all of the Independent Trustees. Upon completion of this review, the Contract Committee recommended and the Independent Trustees approved the continuance of your fund's contract, effective July 1, 2004.

This approval was based on the following conclusions:

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- \* That the fee schedule currently in effect for your fund represents reasonable compensation in light of the nature and quality of the services being provided to the fund, the fees paid by competitive funds and the costs incurred by Putnam Management in providing such service, and
- \* That such fee schedule represents an appropriate sharing between fund shareholders and Putnam Management of such economies of scale as may exist in the management of the fund at current asset levels.

These conclusions were based on a comprehensive consideration of all information provided to the Trustees and were not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below.

### Model fee schedules and categories; total expenses

The Trustees, working in cooperation with Putnam Management, have developed and implemented a series of model fee schedules for the Putnam funds designed to ensure that each fund's management fee is consistent with the fees for similar funds in the Putnam complex and compares favorably with fees paid by competitive funds sponsored by other advisors. The Trustees reviewed the model fee schedule currently in effect for the fund, including fee levels and breakpoints, and the assignment of the fund to a particular fee category under this structure. The Trustees also reviewed comparative fee and expense information for competitive funds. The Trustees concluded that no changes should be made in the fund's current fee schedule at this time. The Trustees noted that expense ratios for a number of Putnam funds had been increasing recently as a result of declining net assets and the natural operation of fee breakpoints. They noted that such expense ratio increases were currently being controlled by expense limitations implemented in January 2004. They also noted that the competitive landscape regarding mutual fund fees may be changing as a result of fee reductions accepted by various other fund groups in connection with recent regulatory settlements and greater focus on fees and expenses in the mutual fund industry generally. The Trustees indicated an intention to monitor these developments closely.

### Economies of scale

As noted above, the Trustees concluded that the fee schedule currently in effect for your fund represents an appropriate sharing of economies of scale at current asset levels. The Trustees indicated their intention to continue their ongoing consideration of economies of scale and in particular to consider further the possible operation of such economies in the event that a significant recovery in the equity markets or net fund sales were to raise asset levels substantially above current levels. In this regard, the Trustees noted that they had reviewed data relating to the substantial increase in asset levels of the Putnam funds that occurred during the years leading up to the market peak in 2000, the subsequent decline in assets and the resulting impact on revenues and expenses of Putnam Management. The Trustees also noted that recent declines in net assets in many Putnam funds, together with significant changes in the cost structure of Putnam Management have altered the economics of Putnam Management's business in significant ways. The Trustees concluded that they would monitor these changes carefully and evaluate the resulting impact on Putnam Management's economics and the sharing of economies of scale between the parties.

### Investment performance

The quality of the investment process provided by Putnam Management

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represented a major factor in the Trustees' evaluation of the quality of services provided by Putnam Management under the Management Contracts. The Trustees recognized that a high quality investment process -- as measured by the experience and skills of the individuals assigned to the management of fund portfolios, the resources made available to such personnel, and in general the ability of Putnam Management to attract and retain high-quality personnel -- does not guarantee favorable investment results for every fund in every time period. The Trustees considered the investment performance of each fund over multiple time periods and considered information comparing the fund's performance with various benchmarks and with the performance of competitive funds. The Trustees noted the satisfactory investment performance of many Putnam funds.

They also noted the disappointing investment performance of certain funds in recent years and continued to discuss with senior management of Putnam Management the factors contributing to such under-performance and actions being taken to improve performance. The Trustees recognized that, in recent years, Putnam Management has made significant changes in its investment personnel and processes and in the fund product line in an effort to address areas of underperformance. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these changes and to evaluate whether additional remedial changes are warranted. As a general matter, the Trustees concluded that consultation between the Trustees and Putnam Management represents the most effective way to address investment performance problems. The Trustees believe that investors in the Putnam funds and their financial advisors have, as a general matter, effectively placed their trust in the Putnam organization, under the supervision of the funds' Trustees, to make appropriate decisions regarding the management of the funds. The Trustees believe that the termination of the Management Contract and engagement of a new investment adviser for under-performing funds, with all the attendant disruptions, would not serve the interests of fund shareholders at this time and would not necessarily provide any greater assurance of improved investment performance.

Brokerage and soft-dollar allocations; other benefits

The Trustees considered various potential benefits that Putnam Management may receive in connection with the services it provides under the Management Contract with your fund. These include principally benefits related to brokerage and soft-dollar allocations, which pertain mainly to funds investing in equity securities. The Trustees believe that soft-dollar credits and other potential benefits associated with the allocation of fund brokerage represent assets of the funds that should be used for the benefit of fund shareholders. The Trustees noted recent trends in the allocation of fund brokerage, including commission costs, the allocation of brokerage to firms that provide research services to Putnam Management, and the sources and application of available soft-dollar credits. Effective December 31, 2003, reflecting a decision made by the Trustees earlier that year, Putnam Management ceased allocating brokerage in connection with the sale of fund shares. In addition, in preparing its budget for commission allocations in 2004, Putnam Management voluntarily reduced substantially the allocation of brokerage commissions to acquire research services from third-party service providers. In light of evolving best practices in the mutual fund industry, the Trustees concluded that this practice should be further curtailed and possibly eliminated in the near future. The Trustees indicated that they would continue to monitor the allocation of the funds' brokerage to ensure that the principle of "best price and

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execution" remains paramount in the portfolio trading process.

### Comparison of retail and institutional fee schedules

The information examined by the Trustees as part of the annual contract reviews included information regarding fees charged by Putnam Management and its affiliates to institutional clients such as defined benefit pension plans and college endowments. This information included comparison of such fees with fees charged to the Putnam funds, as well as a detailed assessment of the differences in the services provided to these two types of clients. The Trustees devoted special attention to these issues and reviewed recent articles by critics of mutual fund fees, articles by the ICI defending such fee differences, and relevant guidance provided by decisions of the courts. The Trustees observed, in this regard, that the differences in fee rates between institutional clients and mutual funds are by no means uniform when examined by individual asset sectors, suggesting that differences in the pricing of investment management services to these types of clients reflects to a substantial degree historical competitive forces operating in separate market places. In reaching their conclusions, the Trustees considered the fact that fee rates across all asset sectors are higher on average for mutual funds than for institutional clients, and also considered the differences between the services that Putnam provides to the Putnam funds and those that it provides to institutional clients of the firm.

### Settlement of regulatory charges related to market timing

Finally, in reaching their conclusions, the Trustees considered all matters pertinent to the administrative charges filed against Putnam Management by the SEC and the Commonwealth of Massachusetts in October 2003 relating to market timing, the firm's settlement of those charges, and the conclusions and recommendations of the Trustees' Audit and Pricing Committee based on its review of these matters. The Trustees considered the actions taken by the owner of Putnam Management and its new senior management to terminate or discipline the individuals involved, to implement new compliance systems, to indemnify the funds against all costs and liabilities related to these matters, and otherwise to ensure that the interests of the funds and their shareholders are fully protected. The Trustees noted that, in addition to the settlements of the regulatory charges which will provide comprehensive restitution for any losses suffered by shareholders, the new senior management of Putnam Management has moved aggressively to control expense ratios of funds affected by market timing, to reduce charges to new investors, to improve disclosure of fees and expenses, and to emphasize the paramount role of investment performance in achieving shareholders' investment goals.

### Other information for shareholders

#### A note about duplicate mailings

In response to investors' requests, the SEC has modified mailing regulations for proxy statements, semiannual and annual reports, and prospectuses. Putnam is now able to send a single copy of these materials to customers who share the same address. This change will automatically apply to all shareholders except those who notify us. If you would prefer to receive your own copy, please call Putnam at 1-800-225-1581.



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### Proxy voting

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2004, are available on the Putnam Individual Investor Web site, [www.putnaminvestments.com/individual](http://www.putnaminvestments.com/individual), and on the SEC's Web site, [www.sec.gov](http://www.sec.gov). If you have questions about finding forms on the SEC's Web site, you may call the SEC at 1-800-SEC-0330. You may also obtain the Putnam funds' proxy voting guidelines and procedures at no charge by calling Putnam's Shareholder Services at 1-800-225-1581.

### Fund portfolio holdings

For periods ending on or after July 9, 2004, the fund will file a complete schedule of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Shareholders may obtain the fund's Forms N-Q on the SEC's Web site at [www.sec.gov](http://www.sec.gov). In addition, the fund's Forms N-Q may be reviewed and copied at the SEC's public reference room in Washington, D.C. You may call the SEC at 1-800-SEC-0330 for information about the SEC's Web site or the operation of the public reference room.

The fund's portfolio  
January 31, 2005 (Unaudited)

Corporate bonds and notes (36.2%) (a)

Principal amount	Value
Basic Materials (3.6%)	
-----	
\$575,000 AK Steel Corp. company guaranty 7 3/4s, 2012	\$590,813
630,000 ALROSA Finance SA 144A company guaranty 8 7/8s, 2014 (Luxembourg)	653,625
260,000 Avecia Group PLC company guaranty 11s, 2009 (United Kingdom)	274,300
1,020,000 BCP Caylux Holdings Luxembourg SCA 144A sr. sub. notes 9 5/8s, 2014 (Luxembourg)	1,132,200
405,000 Century Aluminum Co. 144A company guaranty 7 1/2s, 2014	432,338
EUR 775,000 Cognis GMBH 144A sr. notes 9 1/2s, 2014 (Germany)	1,133,877
\$1,035,000 Compass Minerals Group, Inc. company guaranty 10s, 2011	1,161,788
400,000 Compass Minerals International, Inc. sr. disc. notes stepped-coupon Ser. B, zero % (12s, 6/1/08), 2013 (STP)	326,000
1,070,000 Compass Minerals International, Inc. sr. notes stepped-coupon zero % (12 3/4s, 12/15/07), 2012 (STP)	920,200
738,000 Crystal US Holdings, LLC/US Sub 3 Corp. 144A sr. disc. notes stepped-coupon zero % (10s, 10/1/09), 2014 (STP)	512,910
265,000 Equistar Chemicals LP notes 8 3/4s, 2009	291,500

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	2,345,000	Equistar Chemicals LP/Equistar Funding Corp. company guaranty 10 1/8s, 2008	2,673,300
	615,000	Georgia-Pacific Corp. bonds 7 3/4s, 2029	701,100
	1,340,000	Georgia-Pacific Corp. debs. 7.7s, 2015	1,541,000
	60,000	Georgia-Pacific Corp. sr. notes 8s, 2024	70,350
	4,000	Georgia-Pacific Corp. sr. notes 7 3/8s, 2008	4,330
	950,000	Gerdau Ameristeel Corp. sr. notes 10 3/8s, 2011 (Canada)	1,097,250
	1,385,000	Hercules, Inc. company guaranty 11 1/8s, 2007	1,627,375
	280,000	Huntsman Advanced Materials, LLC 144A sec. FRN 10.89s, 2008	300,300
	330,000	Huntsman Advanced Materials, LLC 144A sec. notes 11s, 2010	387,750
	1,099,000	Huntsman Co., LLC sr. disc. notes zero %, 2008	733,583
	2,190,000	Huntsman ICI Holdings sr. disc. notes zero %, 2009	1,229,138
	555,000	Huntsman, LLC company guaranty 11 5/8s, 2010	646,575
	415,000	Huntsman, LLC 144A company guaranty 11 1/2s, 2012	491,775
	325,000	Innophos, Inc. 144A sr. sub. notes 8 7/8s, 2014	350,188
	180,000	International Steel Group, Inc. sr. notes 6 1/2s, 2014	194,400
	912,000	ISP Chemco, Inc. company guaranty Ser. B, 10 1/4s, 2011	1,012,320
	310,000	Jefferson Smurfit Corp. company guaranty 8 1/4s, 2012	328,600
	55,000	Jefferson Smurfit Corp. company guaranty 7 1/2s, 2013	56,788
EUR	700,000	JSG Holding PLC 11 1/2s, 2015	914,661
	\$100,000	Lyondell Chemical Co. bonds 11 1/8s, 2012	117,500
	980,000	Lyondell Chemical Co. company guaranty 9 1/2s, 2008	1,058,400
	895,000	Lyondell Chemical Co. notes Ser. A, 9 5/8s, 2007	977,788
	125,000	MDP Acquisitions PLC sr. notes 9 5/8s, 2012 (Ireland)	138,125
EUR	610,000	MDP Acquisitions PLC sr. notes Ser. EUR, 10 1/8s, 2012 (Ireland)	906,384
	\$892,474	MDP Acquisitions PLC sub. notes 15 1/2s, 2013 (Ireland) (PIK)	1,039,732
EUR	100,000	Nalco Co. sr. notes 7 3/4s, 2011	144,352
EUR	100,000	Nalco Co. sr. sub. notes 9s, 2013	144,352
	\$1,490,000	Nalco Co. sr. sub. notes 8 7/8s, 2013	1,624,100
	795,000	Norske Skog Canada, Ltd. sr. notes 7 3/8s, 2014 (Canada)	802,950
	1,140,000	Novels, Inc. 144A sr. notes 7 1/4s, 2015 (Canada)	1,162,800
	609,379	PCI Chemicals Canada sec. sr. notes 10s, 2008 (Canada)	645,942
	112,580	Pioneer Companies, Inc. sec. sr.notes FRN 6.05s, 2006	118,209

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EUR	500,000	Rockwood Specialties Group, Inc. company guaranty 7 5/8s, 2014	664,734
	\$200,000	Rockwood Specialties Group, Inc. 144A sub. notes 7 1/2s, 2014	206,000
EUR	620,000	SGL Carbon SA 144A sr. notes 8 1/2s, 2012 (Luxembourg)	903,465
	\$965,000	Steel Dynamics, Inc. company guaranty 9 1/2s, 2009	1,054,263
	207,976	Sterling Chemicals, Inc. sec. notes 10s, 2007 (PIK)	206,936
	345,000	Stone Container Corp. sr. notes 8 3/8s, 2012	365,700
	210,000	Stone Container Finance company guaranty 7 3/8s, 2014 (Canada)	216,300
	529,000	Ucar Finance, Inc. company guaranty 10 1/4s, 2012	591,819
	498,000	United Agri Products 144A sr. notes 8 1/4s, 2011	535,350
	706,000	United States Steel Corp. sr. notes 9 3/4s, 2010	806,605
	77,422	Wheeling-Pittsburgh Steel Corp. sr. notes 6s, 2010	65,034
	150,487	Wheeling-Pittsburgh Steel Corp. sr. notes 5s, 2011	126,409
	260,000	WHX Corp. sr. notes 10 1/2s, 2005	247,000
		-----	
			36,660,583

### Capital Goods (2.6%)

	698,000	AEP Industries, Inc. sr. sub. notes 9 7/8s, 2007	711,960
	1,670,000	Allied Waste North America, Inc. company guaranty Ser. B, 8 1/2s, 2008	1,736,800
	511,000	Amsted Industries, Inc. 144A sr. notes 10 1/4s, 2011	574,875
	775,000	Argo-Tech Corp. sr. notes 9 1/4s, 2011	848,625
	260,000	BE Aerospace, Inc. sr. sub. notes Ser. B, 8s, 2008	257,400
	776,000	Blount, Inc. sr. sub. notes 8 7/8s, 2012	843,900
	455,000	Browning-Ferris Industries, Inc. debs. 7.4s, 2035	389,025
	597,000	Browning-Ferris Industries, Inc. sr. notes 6 3/8s, 2008	585,060
	1,240,000	Crown Euro Holdings SA sec. notes 10 7/8s, 2013 (France)	1,453,900
EUR	115,000	Crown Euro Holdings SA sec. notes 10 1/4s, 2011 (France)	172,000
	\$387,000	Crown Euro Holdings SA sec. notes 9 1/2s, 2011 (France)	431,505
EUR	151,000	Crown Euro Holdings SA sec. notes 6 1/4s, 2011 (France)	207,835
	\$2,596,000	Decrane Aircraft Holdings Co. company guaranty zero %, 2008	986,480
	1,010,000	Earle M. Jorgensen Co. sec. notes 9 3/4s, 2012	1,128,675
	840,000	FIMEP SA sr. notes 10 1/2s, 2013 (France)	993,300
EUR	500,000	Flender Holdings 144A sr. notes 11s,	

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	2010 (Germany)	786,928
\$770,000	Flowserve Corp. company guaranty 12 1/4s, 2010	847,000
1,370,000	Invensys, PLC notes 9 7/8s, 2011 (United Kingdom)	1,469,325
2,050,000	L-3 Communications Corp. 144A sr. sub. notes 5 7/8s, 2015	2,039,750
1,025,000	Legrand SA debs. 8 1/2s, 2025 (France)	1,209,500
	78,000 Manitowoc Co., Inc. (The) company guaranty 10 1/2s, 2012	89,505
EUR 240,000	Manitowoc Co., Inc. (The) company guaranty 10 3/8s, 2011	349,572
\$305,000	Manitowoc Co., Inc. (The) sr. notes 7 1/8s, 2013	326,350
305,000	Mueller Group, Inc. sec. FRN 7.493s, 2011	313,388
370,000	Mueller Group, Inc. sr. sub. notes 10s, 2012	399,600
775,000	Owens-Brockway Glass company guaranty 8 1/4s, 2013	842,813
613,000	Owens-Brockway Glass company guaranty 7 3/4s, 2011	658,975
1,345,000	Owens-Brockway Glass sr. sec. notes 8 3/4s, 2012	1,496,313
206,000	Owens-Illinois, Inc. debs. 7.8s, 2018	214,240
405,000	Pliant Corp. sec. notes 11 1/8s, 2009	441,956
EUR 201,000	Polypore, Inc. notes 8 3/4s, 2012	272,463
\$363,000	Polypore, Inc. sr. sub. notes 8 3/4s, 2012	372,983
1,650,000	Sequa Corp. sr. notes 9s, 2009	1,823,250
325,000	Siebe PLC 144A sr. unsub. 6 1/2s, 2010 (United Kingdom)	307,531
265,000	Terex Corp. company guaranty 9 1/4s, 2011	293,488
995,000	Terex Corp. company guaranty Ser. B, 10 3/8s, 2011	1,104,450
		-----
		26,980,720
Communication Services (3.9%)		
-----		
469,000	Alamosa Delaware, Inc. company guaranty 11s, 2010	546,385
371,000	Alamosa Delaware, Inc. company guaranty stepped-coupon zero % (12s, 7/31/05), 2009 (STP)	399,753
270,000	American Cellular Corp. company guaranty 9 1/2s, 2009	249,750
1,040,000	American Towers, Inc. company guaranty 7 1/4s, 2011	1,086,800
770,000	Asia Global Crossing, Ltd. sr. notes 13 3/8s, 2010 (Bermuda) (In default) (NON)	38,500
5,725,000	AT&T Corp. sr. notes 9 3/4s, 2031	7,292,219
1,775,000	AT&T Corp. sr. notes 9.05s, 2011	2,059,000
205,000	Cincinnati Bell Telephone Co. company guaranty 6.3s, 2028	186,550
750,000	Cincinnati Bell, Inc. sr. sub. notes 8 3/8s, 2014	761,250

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565,000	Cincinnati Bell, Inc. sr. sub. notes 7 1/4s, 2023	553,700
1,475,000	Citizens Communications Co. notes 9 1/4s, 2011	1,722,063
2,993,000	Citizens Communications Co. sr. notes 6 1/4s, 2013	2,985,518
437,472	Colo.com, Inc. 144A sr. notes 13 7/8s, 2010 (In default) (NON) (F)	--
365,000	Eircom Funding company guaranty Ser. US\$, 8 1/4s, 2013 (Ireland)	398,763
540,000	Fairpoint Communications, Inc. sr. sub. notes 12 1/2s, 2010	587,250
300,220	Globix Corp. company guaranty 11s, 2008 (PIK)	283,708
810,000	Inmarsat Finance PLC company guaranty 7 5/8s, 2012 (United Kingdom)	826,200
1,060,000	Inmarsat Finance PLC company guaranty stepped-coupon zero % (10 3/8s, 10/15/08), 2012	768,500
420,000	iPCS, Inc. sr. no 11 1/2s, 2012	479,850
115,000	IWO Escrow Co. 144A sec. FRN 6.32s, 2012	115,000
115,000	IWO Escrow Co. 144A sr. disc. notes stepped-coupon zero % (10 3/4s, 1/15/10), 2015 (STP)	73,313
780,000	Level 3 Financing, Inc. 144A sr. notes 10 3/4s, 2011	672,750
1,005,000	Madison River Capital Corp. sr. notes 13 1/4s, 2010	1,075,350
1,458,000	MCI, Inc. sr. notes 8.735s, 2014	1,594,688
358,000	MCI, Inc. sr. notes 7.688s, 2009	373,663
1,000	MCI, Inc. sr. notes 6.908s, 2007	1,023
1,628,000	Nextel Communications, Inc. sr. notes 7 3/8s, 2015	1,794,870
2,602,000	Nextel Communications, Inc. sr. notes 5.95s, 2014	2,699,575
915,000	Nextel Partners, Inc. sr. notes 8 1/8s, 2011	1,006,500
390,000	PanAmSat Corp. notes 6 3/8s, 2008	403,650
610,000	Qwest Communications International, Inc. 144A sr. notes 7 3/4s, 2014	620,675
3,360,000	Qwest Corp. 144A notes 9 1/8s, 2012	3,822,000
505,000	Qwest Services Corp. 144A notes 14 1/2s, 2014	632,513
240,000	Rogers Cantel, Inc. debs. 9 3/4s, 2016 (Canada)	288,000
380,000	Rogers Wireless Communications, Inc. sec. notes 9 5/8s, 2011 (Canada)	445,550
365,000	Rogers Wireless Communications, Inc. sec. notes 7 1/2s, 2015 (Canada)	390,550
420,000	Rural Cellular Corp. sr. sub. notes 9 3/4s, 2010	405,300
322,000	SBA Communications Corp. 144A sr. notes 8 1/2s, 2012	335,283
445,000	SBA Telecommunications Inc./SBA Communication Corp. sr. disc. notes stepped-coupon zero % (9 3/4s, 12/15/07), 2011 (STP)	383,256
935,000	TSI Telecommunication Services, Inc. company guaranty Ser. B, 12 3/4s, 2009	1,054,213

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510,000	UbiquiTel Operating Co. sr. notes 9 7/8s, 2011	562,275
336,000	UbiquiTel Operating Co. 144A sr. notes 9 7/8s, 2011	370,440
337,135	Verado Holdings, Inc. sr. disc. notes zero %, 2008 (In default) (NON) (F)	10
		40,346,206

### Consumer Cyclical (8.2%)

730,000	Advertising Direct 144A sr. notes 9 1/4s, 2012 (Canada)	770,150
395,000	Ameristar Casinos, Inc. company guaranty 10 3/4s, 2009	442,400
468,000	Argosy Gaming Co. sr. sub. notes 7s, 2014	514,800
870,000	ArvinMeritor, Inc. notes 8 3/4s, 2012	973,313
640,000	Asbury Automotive Group, Inc. sr. sub. notes 8s, 2014	641,600
1,230,000	Autonation, Inc. company guaranty 9s, 2008	1,383,750
210,000	Beazer Homes USA, Inc. company guaranty 8 3/8s, 2012	230,475
820,000	Boyd Gaming Corp. sr. sub. notes 8 3/4s, 2012	904,050
230,000	Boyd Gaming Corp. sr. sub. notes 7 3/4s, 2012	247,250
190,000	Boyd Gaming Corp. sr. sub. notes 6 3/4s, 2014	194,750
1,480,646	CanWest Media, Inc. 144A sr. sub. notes 8s, 2012 (Canada)	1,580,590
500,000	Chumash Casino & Resort Enterprise 144A sr. notes 9s, 2010	547,500
1,192,000	Coinmach Corp. sr. notes 9s, 2010	1,227,760
277,000	Cooper Standard Auto 144A notes 8 3/8s, 2014	263,150
91,000	Cooper Standard Auto 144A notes 7s, 2012	89,408
145,000	D.R. Horton, Inc. company guaranty 8s, 2009	162,069
880,000	D.R. Horton, Inc. sr. notes 7 7/8s, 2011	1,009,800
220,000	D.R. Horton, Inc. sr. notes 6 7/8s, 2013	241,450
600,000	D.R. Horton, Inc. sr. notes 5 7/8s, 2013	615,199
220,000	Dana Corp. notes 10 1/8s, 2010	243,143
785,000	Dana Corp. notes 9s, 2011	924,338
135,000	Dana Corp. notes 7s, 2029	134,104
405,000	Dana Corp. notes 6 1/2s, 2009	423,633
780,000	Dayton Superior Corp. sec. notes 10 3/4s, 2008	838,500
295,000	Delco Remy International, Inc. company guaranty 11s, 2009	311,225
740,000	Delco Remy International, Inc. sr. sub. notes 9 3/8s, 2012	736,300
825,000	Dex Media West, LLC/Dex Media Finance Co. sr. notes Ser. B, 8 1/2s, 2010	897,188

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705,000	Dex Media, Inc. disc. notes zero %, 2013	530,513
805,000	Dex Media, Inc. notes 8s, 2013	855,313
265,000	Dura Operating Corp. company guaranty Ser. B, 8 5/8s, 2012	272,288
661,000	FelCor Lodging LP company guaranty 9s, 2008 (R)	743,625
680,000	Finlay Fine Jewelry Corp. sr. notes 8 3/8s, 2012	683,400
965,000	Gaylord Entertainment Co. sr. notes 8s, 2013	1,032,550
1,160,000	Goodyear Tire & Rubber Co. (The) notes 7.857s, 2011	1,171,600
285,000	Goodyear Tire & Rubber Co. (The) notes 6 3/8s, 2008	295,688
5,000	Harrah's Operating Co., Inc. company guaranty 8s, 2011	5,794
585,000	HMH Properties, Inc. company guaranty Ser. B, 7 7/8s, 2008 (R)	600,356
389,000	Host Marriott LP sr. notes Ser. E, 8 3/8s, 2006 (R)	404,560
1,050,000	Host Marriott LP 144A sr. notes 7s, 2012 (R)	1,097,250
475,000	Houghton Mifflin Co. sr. sub. notes 9 7/8s, 2013	495,188
825,000	Icon Health & Fitness company guaranty 11 1/4s, 2012	709,500
725,000	ITT Corp. debs. 7 3/8s, 2015	812,000
815,000	ITT Corp. notes 6 3/4s, 2005	832,319
1,370,000	JC Penney Co., Inc. debs. 7.95s, 2017	1,596,050
615,000	JC Penney Co., Inc. debs. 7 1/8s, 2023	666,506
40,000	JC Penney Co., Inc. notes 8s, 2010	45,350
1,445,000	John Q. Hammons Hotels LP/John Q. Hammons Hotels Finance Corp. III 1st mtge. Ser. B, 8 7/8s, 2012	1,618,400
728,000	Jostens Holding Corp. sr. disc. notes stepped-coupon zero % (10 1/4s, 12/1/08), 2013 (STP)	509,600
1,602,000	Jostens IH Corp. 144A company guaranty 7 5/8s, 2012	1,630,035
795,000	K. Hovnanian Enterprises, Inc. company guaranty 8 7/8s, 2012	882,450
540,000	K. Hovnanian Enterprises, Inc. company guaranty 6 3/8s, 2014	552,150
405,000	K. Hovnanian Enterprises, Inc. sr. notes 6 1/2s, 2014	418,163
243,000	K2, Inc. sr. notes 7 3/8s, 2014	260,921
328,000	KB Home company guaranty 5 7/8s, 2015	332,202
472,000	KB Home sr. notes 5 3/4s, 2014	477,479
1,885,000	Laidlaw International, Inc. sr. notes 10 3/4s, 2011	2,167,750
780,000	Lamar Media Corp. company guaranty 7 1/4s, 2013	838,500
1,406,000	Levi Strauss & Co. sr. notes 12 1/4s, 2012	1,518,480
780,000	Levi Strauss & Co. 144A sr. notes 9 3/4s, 2015	758,550
600,000	Mandalay Resort Group sr. notes 6 3/8s, 2011	627,000

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985,000	MeriStar Hospital Corp. company guaranty 9 1/8s, 2011 (R)	1,063,800
410,000	Meritage Corp. company guaranty 9 3/4s, 2011	453,050
275,000	Meritage Corp. sr. notes 7s, 2014	284,625
560,000	Meritor Automotive, Inc. notes 6.8s, 2009	576,800
615,000	Metaldyne Corp. 144A sr. notes 10s, 2013	575,025
1,085,000	MGM Mirage, Inc. company guaranty 8 1/2s, 2010	1,228,763
680,000	MGM Mirage, Inc. company guaranty 6s, 2009	693,600
250,000	Mirage Resorts, Inc. debs. 7 1/4s, 2017	261,875
165,000	Mohegan Tribal Gaming Authority sr. sub. notes 8s, 2012	177,375
430,000	Mohegan Tribal Gaming Authority sr. sub. notes 6 3/8s, 2009	436,988
415,000	Owens Corning bonds 7 1/2s, 2018 (In default) (NON)	284,275
1,185,000	Owens Corning notes 7 1/2s, 2005 (In default) (NON)	817,650
635,000	Oxford Industries, Inc. sr. notes 8 7/8s, 2011	676,275
1,250,000	Park Place Entertainment Corp. sr. notes 7 1/2s, 2009	1,390,625
680,000	Park Place Entertainment Corp. sr. notes 7s, 2013	754,800
545,000	Park Place Entertainment Corp. sr. sub. notes 8 7/8s, 2008	613,806
1,320,000	Penn National Gaming, Inc. sr. sub. notes 8 7/8s, 2010	1,425,600
395,000	Pinnacle Entertainment, Inc. sr. sub. notes 8 3/4s, 2013	427,588
1,068,000	Pinnacle Entertainment, Inc. sr. sub. notes 8 1/4s, 2012	1,137,420
1,515,000	PRIMEDIA, Inc. company guaranty 8 7/8s, 2011	1,598,325
1,110,000	PRIMEDIA, Inc. sr. notes 8s, 2013	1,137,750
470,000	R. H. Donnelley Corp. 144A sr. notes 6 7/8s, 2013	471,175
510,000	Reader's Digest Association, Inc. (The) sr. notes 6 1/2s, 2011	536,775
995,000	Resorts International Hotel and Casino, Inc. company guaranty 11 1/2s, 2009	1,166,638
175,000	RH Donnelley Finance Corp. I company guaranty 8 7/8s, 2010	193,813
1,290,000	RH Donnelley Finance Corp. I 144A company guaranty 8 7/8s, 2010	1,428,675
650,000	RH Donnelley Finance Corp. I 144A sr. sub. notes 10 7/8s, 2012	760,500
791,000	Russell Corp. company guaranty 9 1/4s, 2010	848,348
1,538,000	Saks, Inc. company guaranty 7s, 2013	1,576,450
1,665,000	Samsonite Corp. sr. sub. notes 8 7/8s, 2011	1,791,956
530,000	Schuler Homes, Inc. company guaranty 10 1/2s, 2011	605,525
466,000	Scientific Games Corp. 144A sr. sub. notes 6 1/4s, 2012	472,990



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	1,545,000 Sealy Mattress Co. sr. sub. notes 8 1/4s, 2014	1,575,900
	590,000 Standard Pacific Corp. sr. notes 7 3/4s, 2013	638,675
	785,000 Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 7/8s, 2012	894,900
	535,000 Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 3/8s, 2007	569,106
	665,000 Station Casinos, Inc. sr. notes 6s, 2012	681,625
	715,000 Station Casinos, Inc. sr. sub. notes 6 7/8s, 2016	741,813
	470,000 Technical Olympic USA, Inc. company guaranty 10 3/8s, 2012	524,050
	305,000 Technical Olympic USA, Inc. company guaranty 9s, 2010	327,875
	463,000 Technical Olympic USA, Inc. 144A sr. sub. notes 7 1/2s, 2015	449,110
EUR	185,000 Teksid Aluminum 144A company guaranty 11 3/8s, 2011 (Luxembourg)	226,058
\$1,040,000	Tenneco Automotive, Inc. sec. notes Ser. B, 10 1/4s, 2013	1,222,000
	596,000 Tenneco Automotive, Inc. 144A sr. sub. notes 8 5/8s, 2014	619,840
	870,000 THL Buildco, Inc. (Nortek, Inc.) sr. sub. notes 8 1/2s, 2014	893,925
	494,000 Toys R Us, Inc. notes 7 5/8s, 2011	512,525
	715,000 United Auto Group, Inc. company guaranty 9 5/8s, 2012	779,350
	835,000 Vertis, Inc. company guaranty Ser. B, 10 7/8s, 2009	897,625
	1,015,000 Vertis, Inc. 144A sub. notes 13 1/2s, 2009	1,078,438
	1,135,000 WCI Communities, Inc. company guaranty 9 1/8s, 2012	1,265,525
	552,000 William Carter Holdings Co. (The) company guaranty Ser. B, 10 7/8s, 2011	622,380
	770,000 WRC Media Corp. sr. sub. notes 12 3/4s, 2009	729,575
	785,000 Wynn Las Vegas, LLC/Wynn Las Vegas Capital Corp. 144A 1st mtge. 6 5/8s, 2014	771,263
		-----
		83,879,843
Consumer Staples (4.5%)		
	560,000 Adelphia Communications Corp. sr. notes 10 7/8s, 2010 (In default) (NON)	484,400
	25,000 Adelphia Communications Corp. sr. notes 10 1/4s, 2011 (In default) (NON)	22,063
	75,000 Adelphia Communications Corp. sr. notes 9 3/8s, 2009 (In default) (NON)	64,500
	765,000 Affinity Group, Inc. sr. sub. notes 9s, 2012	818,550
	416,000 AMC Entertainment, Inc. sr. sub. notes 9 7/8s, 2012	449,280
	1,269,000 AMC Entertainment, Inc. sr. sub.	

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	notes 8s, 2014	1,257,896
165,822	Archibald Candy Corp. company guaranty 10s, 2007 (In default) (NON) (PIK) (F)	35,320
790,000	Brand Services, Inc. company guaranty 12s, 2012	888,750
700,000	Capital Records, Inc. 144A company guaranty 8 3/8s, 2009	785,750
360,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (12 1/8s, 1/15/07), 2012 (STP)	230,400
735,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (11 3/4s, 5/15/06), 2011 (STP)	510,825
980,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 11 1/8s, 2011	828,100
1,195,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 3/4s, 2009	1,018,738
2,310,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10s, 2011	1,824,900
265,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 8 5/8s, 2009	212,000
625,000	Church & Dwight Co., Inc. 144A sr. sub. notes 6s, 2012	631,250
35,000	Cinemark USA, Inc. sr. sub. notes 9s, 2013	39,200
1,385,000	Cinemark, Inc. sr. disc. notes stepped-coupon zero % (9 3/4s, 3/15/07), 2014 (STP)	1,045,675
1,155,000	Constellation Brands, Inc. company guaranty Ser. B, 8s, 2008	1,258,950
595,000	Constellation Brands, Inc. sr. sub. notes Ser. B, 8 1/8s, 2012	645,575
600,000	CSC Holdings, Inc. debs. 7 5/8s, 2018	663,000
515,000	CSC Holdings, Inc. sr. notes Ser. B, 7 5/8s, 2011	561,350
1,460,000	CSC Holdings, Inc. 144A sr. notes 6 3/4s, 2012	1,533,000
1,297,000	Dean Foods Co. sr. notes 6 5/8s, 2009	1,352,123
780,000	Del Monte Corp. sr. sub. notes 8 5/8s, 2012	866,775
465,000	Del Monte Corp. 144A sr. sub. notes 6 3/4s, 2015	470,813
3,586,000	Diva Systems Corp. sr. disc. notes Ser. B, 12 5/8s, 2008 (In default) (NON)	15,689
1,150,000	Doane Pet Care Co. sr. sub. debs. 9 3/4s, 2007	1,115,500
678,000	Domino's, Inc. sr. sub. notes 8 1/4s, 2011	725,460
1,038,000	Echostar DBS Corp. sr. notes 6 3/8s, 2011	1,060,058
2,991,000	Echostar DBS Corp. 144A company guaranty 6 5/8s, 2014	3,020,910

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	452,000	Elizabeth Arden, Inc. company guaranty 7 3/4s, 2014	473,470
	1,353,000	Granite Broadcasting Corp. sec. notes 9 3/4s, 2010	1,302,263
	440,000	Intelsat Bermuda, Ltd. 144A sr. notes 8 1/4s, 2013 (Bermuda)	455,400
	500,000	Jean Coutu Group, Inc. 144A sr. notes 7 5/8s, 2012 (Canada)	520,000
	603,000	Jean Coutu Group, Inc. 144A sr. sub. notes 8 1/2s, 2014 (Canada)	601,493
	1,170,000	Kabel Deutschland GmbH 144A sr. notes 10 5/8s, 2014 (Germany)	1,322,100
	59,690	Knology, Inc. 144A sr. notes 12s, 2009 (PIK)	57,302
	1,374,000	Pinnacle Foods Holding Corp. sr. sub. notes 8 1/4s, 2013	1,257,210
	1,165,000	Playtex Products, Inc. company guaranty 9 3/8s, 2011	1,246,550
	1,075,000	Playtex Products, Inc. sec. notes 8s, 2011	1,171,750
	1,050,000	Prestige Brands, Inc. sr. sub. notes 9 1/4s, 2012	1,107,750
	45,000	Quebecor Media, Inc. sr. disc. notes stepped-coupon zero % (13 3/4s, 7/15/06), 2011 (Canada) (STP)	44,550
	1,010,000	Rainbow National Services, LLC 144A sr. notes 8 3/4s, 2012	1,136,250
	1,030,000	Remington Arms Co., Inc. company guaranty 10 1/2s, 2011	991,375
	780,000	Rite Aid Corp. company guaranty 9 1/2s, 2011	838,500
	50,000	Rite Aid Corp. debs. 6 7/8s, 2013	45,250
	105,000	Rite Aid Corp. notes 7 1/8s, 2007	104,475
	710,000	Rite Aid Corp. sr. notes 9 1/4s, 2013	706,450
	455,000	Rite Aid Corp. 144A sec. notes 7 1/2s, 2015	448,175
	1,220,000	Sbarro, Inc. company guaranty 11s, 2009	1,226,100
	355,000	Scotts Co. (The) sr. sub. notes 6 5/8s, 2013	368,313
	945,000	Six Flags, Inc. sr. notes 9 5/8s, 2014	890,663
EUR	288,000	United Biscuits Finance company guaranty 10 5/8s, 2011 (United Kingdom)	396,213
\$1,235,000		United Rentals (North America), Inc. company guaranty 6 1/2s, 2012	1,213,388
	529,000	Universal City Florida Holding Co. 144A sr. notes 8 3/8s, 2010	550,160
	664,000	Universal City Florida Holding Co. 144A sr. notes FRN 7.2s, 2010	690,560
	405,000	Videotron Ltee company guaranty 6 7/8s, 2014 (Canada)	413,606
	1,010,000	Williams Scotsman, Inc. company guaranty 9 7/8s, 2007	1,010,000
	610,000	Young Broadcasting, Inc. company guaranty 10s, 2011	643,550
	510,000	Young Broadcasting, Inc. sr. sub. notes 8 3/4s, 2014	507,450
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			46,177,116

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### Energy (3.7%)

1,085,000	Amerada Hess Corp. unsub notes 6.65s, 2011	1,193,882
1,390,000	Arch Western Finance, LLC sr. notes 6 3/4s, 2013	1,417,800
483,000	Arch Western Finance, LLC 144A sr. notes 6 3/4s, 2013	492,660
677,000	Bluewater Finance, Ltd. company guaranty 10 1/4s, 2012 (Cayman Islands)	744,700
890,000	BRL Universal Equipment sec. notes 8 7/8s, 2008	930,050
795,000	CHC Helicopter Corp. sr. sub. notes 7 3/8s, 2014 (Canada)	832,763
475,000	Chesapeake Energy Corp. company guaranty 9s, 2012	535,563
371,000	Chesapeake Energy Corp. company guaranty 7 3/4s, 2015	402,999
1,365,000	Chesapeake Energy Corp. sr. notes 7 1/2s, 2013	1,487,850
400,000	Chesapeake Energy Corp. sr. notes 7s, 2014	424,000
720,000	Comstock Resources, Inc. sr. notes 6 7/8s, 2012	734,400
974,000	Dresser, Inc. company guaranty 9 3/8s, 2011	1,056,790
301,000	Dresser-Rand Group, Inc. 144A sr. sub. notes 7 3/8s, 2014	307,773
755,000	Encore Acquisition Co. company guaranty 8 3/8s, 2012	832,388
360,000	Encore Acquisition Co. sr. sub. notes 6 1/4s, 2014	359,100
1,020,000	Exco Resources, Inc. company guaranty 7 1/4s, 2011	1,076,100
480,000	Forest Oil Corp. company guaranty 7 3/4s, 2014	516,000
770,000	Forest Oil Corp. sr. notes 8s, 2011	872,988
275,000	Forest Oil Corp. sr. notes 8s, 2008	299,063
555,000	Hanover Compressor Co. sr. notes 9s, 2014	610,500
449,000	Hanover Compressor Co. sr. notes 8 5/8s, 2010	484,920
745,000	Hanover Compressor Co. sub. notes zero %, 2007	659,325
241,000	Hanover Equipment Trust sec. notes Ser. B, 8 3/4s, 2011	260,280
824,000	Harvest Operations Corp. 144A sr. notes 7 7/8s, 2011 (Canada)	832,240
730,000	Hornbeck Offshore Services, Inc. 144A sr. notes 6 1/8s, 2014	728,175
875,000	Inergy LP/Inergy Finance Corp. 144A sr. notes 6 7/8s, 2014	870,625
515,000	KCS Energy, Inc. sr. notes 7 1/8s, 2012	539,463
646,000	Key Energy Services, Inc. sr. notes 6 3/8s, 2013	646,000
1,081,000	Massey Energy Co. sr. notes 6 5/8s, 2010	1,113,430
980,000	Newfield Exploration Co. sr. notes 7 5/8s, 2011	1,097,600

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505,000	Newfield Exploration Co. 144A sr. sub. notes 6 5/8s, 2014	532,775
655,000	Offshore Logistics, Inc. company guaranty 6 1/8s, 2013	653,363
764,138	Oslo Seismic Services, Inc. 1st mtge. 8.28s, 2011	806,748
505,000	Pacific Energy Partners/Pacific Energy Finance Corp. sr. notes 7 1/8s, 2014	532,775
266,000	Parker Drilling Co. company guaranty Ser. B, 10 1/8s, 2009	279,300
1,065,000	Peabody Energy Corp. sr. notes 5 7/8s, 2016	1,059,675
880,000	Pemex Project Funding Master Trust company guaranty 8 5/8s, 2022	1,042,800
795,000	Petro Geo-Services notes 10s, 2010 (Norway)	908,288
1,045,000	Petronas Capital, Ltd. company guaranty 7 7/8s, 2022 (Malaysia)	1,320,671
683,000	Plains Exploration & Production Co. sr. notes 7 1/8s, 2014	749,593
1,132,000	Plains Exploration & Production Co. sr. sub. notes 8 3/4s, 2012	1,253,690
920,000	Pogo Producing Co. sr. sub. notes Ser. B, 8 1/4s, 2011	984,400
1,166,000	Pride sr. notes 7 3/8s, 2014	1,282,600
830,000	Seabulk International, Inc. company guaranty 9 1/2s, 2013	888,100
420,000	Seven Seas Petroleum, Inc. sr. notes Ser. B, 12 1/2s, 2005 (In default) (NON) (F)	4
1,273,000	Star Gas Partners LP/Star Gas Finance Co. sr. notes 10 1/4s, 2013	1,352,563
460,000	Stone Energy Corp. 144A sr. sub. notes 6 3/4s, 2014	449,650
410,000	Tengizchevroll Finance Co. 144A sec. notes 6.124s, 2014 (Luxembourg)	414,100
205,000	Universal Compression, Inc. sr. notes 7 1/4s, 2010	216,531
900,000	Vintage Petroleum, Inc. sr. notes 8 1/4s, 2012	987,750
205,000	Vintage Petroleum, Inc. sr. sub. notes 7 7/8s, 2011	218,838
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		38,293,641

### Financial (0.7%)

820,000	China Development Bank bonds and notes 4 3/4s, 2014	810,305
435,000	Crescent Real Estate Equities LP notes 7 1/2s, 2007 (R)	449,138
1,075,000	Crescent Real Estate Equities LP sr. notes 9 1/4s, 2009 (R)	1,161,000
1,390,000	E(a)Trade Finance Corp. 144A sr. notes 8s, 2011	1,494,250
1,679,020	Finova Group, Inc. notes 7 1/2s, 2009	772,349
1,745,000	VTB Bank (VTB Capital) 144A notes 7 1/2s, 2011 (Luxembourg)	1,875,875
760,000	Western Financial Bank sub. debs. 9 5/8s, 2012	858,800

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7,421,717

Government (0.2%)

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1,626,000 Pemex Project Funding Master Trust  
144A company guaranty 9 1/2s, 2027 2,065,020

Health Care (3.0%)

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486,000 Alderwoods Group, Inc. 144A sr.  
notes 7 3/4s, 2012 521,235  
805,000 AmerisourceBergen Corp. company  
guaranty 7 1/4s, 2012 887,513  
780,000 AmerisourceBergen Corp. sr. notes  
8 1/8s, 2008 861,900  
1,375,000 Ardent Health Services, Inc. sr.  
sub. notes 10s, 2013 1,423,125  
456,000 Community Health Systems, Inc. 144A  
sr. sub. notes 6 1/2s, 2012 456,000  
455,000 Coventry Health Care, Inc. 144A sr.  
notes 5 7/8s, 2012 461,825  
655,000 Elan Finance PLC/Elan Finance Corp.  
144A sr. notes 7 3/4s, 2011  
(Ireland) 684,475  
470,000 Extencicare Health Services, Inc.  
company guaranty 9 1/2s, 2010 521,700  
745,000 Extencicare Health Services, Inc.  
sr. sub. notes 6 7/8s, 2014 754,313  
920,000 HCA, Inc. debs. 7.19s, 2015 959,548  
350,000 HCA, Inc. notes 8.36s, 2024 384,510  
750,000 HCA, Inc. notes 7.69s, 2025 779,934  
1,385,000 HCA, Inc. notes 7s, 2007 1,450,049  
371,000 HCA, Inc. notes 6 3/8s, 2015 373,181  
775,000 HCA, Inc. notes 6 1/4s, 2013 782,568  
364,000 HCA, Inc. notes 5 3/4s, 2014 352,841  
1,365,000 Healthsouth Corp. notes 7 5/8s, 2012 1,371,825  
705,000 Healthsouth Corp. sr. notes 8 1/2s,  
2008 728,794  
340,000 Healthsouth Corp. sr. notes 8 3/8s,  
2011 352,750  
290,000 Healthsouth Corp. sr. notes 7s, 2008 292,538  
340,845 Magellan Health Services, Inc. sr.  
notes Ser. A, 9 3/8s, 2008 367,260  
795,000 MedQuest, Inc. company guaranty  
Ser. B, 11 7/8s, 2012 930,150  
1,170,000 MQ Associates, Inc. sr. disc. notes  
stepped-coupon zero %  
(12 1/4s, 8/15/08), 2012 (STP) 900,900  
1,045,000 Omnicare, Inc. sr. sub. notes  
6 1/8s, 2013 1,029,325  
1,022,000 PacifiCare Health Systems, Inc.  
company guaranty 10 3/4s, 2009 1,154,860  
915,000 Province Healthcare Co. sr. sub.  
notes 7 1/2s, 2013 1,024,800  
390,000 Service Corp. International debs.  
7 7/8s, 2013 417,300  
105,000 Service Corp. International notes  
7.2s, 2006 108,675  
35,000 Service Corp. International notes  
6 7/8s, 2007 36,575  
155,000 Service Corp. International notes

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	6 1/2s, 2008	159,069
370,000	Service Corp. International notes Ser. (a), 7.7s, 2009	392,200
1,085,000	Service Corp. International/US 144A sr. notes 7s, 2016	1,085,000
1,010,000	Stewart Enterprises, Inc. notes 10 3/4s, 2008	1,089,538
530,000	Tenet Healthcare Corp. notes 7 3/8s, 2013	487,600
359,000	Tenet Healthcare Corp. sr. notes 6 1/2s, 2012	319,510
1,240,000	Tenet Healthcare Corp. 144A sr. notes 9 7/8s, 2014	1,286,500
311,000	Tenet Healthcare Corp. 144A sr. notes 9 1/4s, 2015	311,000
1,150,000	Triad Hospitals, Inc. sr. notes 7s, 2012	1,203,188
992,000	Triad Hospitals, Inc. sr. sub. notes 7s, 2013	1,004,400
740,000	Universal Hospital Services, Inc. sr. notes 10 1/8s, 2011	765,900
350,000	US Oncology, Inc. 144A sr. notes 9s, 2012	379,750
250,000	US Oncology, Inc. 144A sr. sub. notes 10 3/4s, 2014	285,625
594,000	Vanguard Health Holding Co. II, LLC sr. sub. notes 9s, 2014	635,580
425,000	Ventas Realty LP/Capital Corp. company guaranty 9s, 2012 (R)	493,000
243,000	Ventas Realty LP/Capital Corp. 144A sr. notes 6 5/8s, 2014 (R)	245,430
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		30,513,759

### Technology (1.5%)

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1,218,000	Advanced Micro Devices, Inc. 144A sr. notes 7 3/4s, 2012	1,214,955
639,000	AMI Semiconductor, Inc. company guaranty 10 3/4s, 2013	747,630
1,960,000	Celestica, Inc. sr.sub. notes 7 7/8s, 2011 (Canada)	2,043,300
1,925,000	Freescale Semiconductor, Inc. sr. notes Ser. B, 7 1/8s, 2014	2,076,594
305,000	Iron Mountain, Inc. company guaranty 8 5/8s, 2013	322,156
770,000	Iron Mountain, Inc. sr. sub. notes 8 1/4s, 2011	793,100
100,000	Lucent Technologies, Inc. debs. 6 1/2s, 2028	89,000
1,435,000	Lucent Technologies, Inc. debs. 6.45s, 2029	1,280,738
465,000	SCG Holding Corp. 144A notes zero %, 2011	662,625
855,000	Seagate Technology Hdd Holdings company guaranty 8s, 2009 (Cayman Islands)	919,125
1,744,000	UGS Corp. 144A sr. sub. notes 10s, 2012	1,944,560
1,075,000	Xerox Capital Trust I company guaranty 8s, 2027	1,120,688
555,000	Xerox Corp. notes Ser. MTN, 7.2s,	

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	2016	585,525
1,565,000	Xerox Corp. sr. notes 7 5/8s, 2013	1,686,288
255,000	Xerox Corp. sr. notes 6 7/8s, 2011	269,025
		-----
		15,755,309
Transportation (0.5%)		
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760,000	American Airlines, Inc. pass-through certificates Ser. 01-1, 6.817s, 2011	718,200
1,075,000	Calair, LLC/Calair Capital Corp. company guaranty 8 1/8s, 2008	876,125
1,270,000	Kansas City Southern Railway Co. company guaranty 9 1/2s, 2008	1,422,400
260,000	Kansas City Southern Railway Co. company guaranty 7 1/2s, 2009	270,400
1,037,000	Navistar International Corp. sr. notes 7 1/2s, 2011	1,106,998
322,492	NWA Trust sr. notes Ser. A, 9 1/4s, 2012	338,617
260,000	Travel Centers of America, Inc. company guaranty 12 3/4s, 2009	292,500
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		5,025,240
Utilities & Power (3.8%)		
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77,000	AES Corp. (The) sr. notes 8 7/8s, 2011	86,433
43,000	AES Corp. (The) sr. notes 8 3/4s, 2008	46,870
1,085,000	AES Corp. (The) 144A sec. notes 9s, 2015	1,226,050
1,530,000	AES Corp. (The) 144A sec. notes 8 3/4s, 2013	1,713,600
740,000	Allegheny Energy Supply 144A bonds 8 1/4s, 2012	823,250
475,000	Allegheny Energy Supply 144A sec. notes 10 1/4s, 2007	532,000
1,190,000	CMS Energy Corp. sr. notes 8.9s, 2008	1,304,538
315,000	CMS Energy Corp. sr. notes 8 1/2s, 2011	351,619
250,000	CMS Energy Corp. sr. notes 7 3/4s, 2010	269,688
536,000	DPL, Inc. bonds 8 1/8s, 2031	609,039
875,000	DPL, Inc. sr. notes 6 7/8s, 2011	948,932
425,000	Dynegy Holdings, Inc. sr. notes 6 7/8s, 2011	395,250
1,990,000	Dynegy Holdings, Inc. 144A sec. notes 10 1/8s, 2013	2,208,900
525,000	Dynegy-Roseton Danskamme company guaranty Ser. A, 7.27s, 2010	530,250
800,000	Dynegy-Roseton Danskamme company guaranty Ser. B, 7.67s, 2016	776,000
370,000	Edison Mission Energy sr. notes 10s, 2008	427,350
15,000	Edison Mission Energy sr. notes 9 7/8s, 2011	17,531
750,000	El Paso Corp. sr. notes 8.05s, 2030	738,750
560,000	El Paso Corp. sr. notes 7 3/8s, 2012	564,200



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525,000	El Paso Corp. sr. notes Ser. MTN, 7 3/4s, 2032	510,563
265,000	El Paso Natural Gas Co. debs. 8 5/8s, 2022	307,400
1,390,000	El Paso Production Holding Co. company guaranty 7 3/4s, 2013	1,445,600
910,000	Ferrellgas Partners LP/Ferrellgas Partners Finance sr. notes 6 3/4s, 2014	905,450
1,135,000	FirstEnergy Corp. notes Ser. B, 6.45s, 2011	1,231,708
300,000	Kansas Gas & Electric debs. 8.29s, 2016	309,104
1,765,000	Midwest Generation, LLC sec. sr. notes 8 3/4s, 2034	1,972,388
1,180,000	Mission Energy Holding Co. sec. notes 13 1/2s, 2008	1,472,050
560,000	Monongahela Power Co. 144A 1st. mtge. 6.7s, 2014	628,600
739,000	Nevada Power Co. 2nd mtge. 9s, 2013	853,545
330,000	Nevada Power Co. 144A general ref. mtge. 5 7/8s, 2015	330,825
451,000	Northwest Corp. 144A sec. notes 5 7/8s, 2014	464,130
1,400,000	Northwest Pipeline Corp. company guaranty 8 1/8s, 2010	1,545,250
90,000	Northwestern Corp. debs. 6.95s, 2028 (In default) (NON) (F)	--
160,000	Northwestern Corp. notes 8 3/4s, 2012 (In default) (NON) (F)	--
2,186,000	NRG Energy, Inc. 144A sr. sec. notes 8s, 2013	2,355,415
805,000	Orion Power Holdings, Inc. sr. notes 12s, 2010	1,006,250
850,000	PSEG Energy Holdings, Inc. notes 7 3/4s, 2007	887,188
670,000	SEMCO Energy, Inc. sr. notes 7 3/4s, 2013	723,561
210,000	Sierra Pacific Power Co. general ref. mtge. 6 1/4s, 2012	218,400
1,285,000	Sierra Pacific Resources sr. notes 8 5/8s, 2014	1,427,956
130,000	Southern California Edison Co. notes 6 3/8s, 2006	133,545
440,000	Teco Energy, Inc. notes 10 1/2s, 2007	504,900
250,000	Teco Energy, Inc. notes 7.2s, 2011	271,563
400,000	Teco Energy, Inc. notes 7s, 2012	432,000
105,000	Tennessee Gas Pipeline Co. debs. 7s, 2028	106,050
555,000	Tennessee Gas Pipeline Co. unsecd. notes 7 1/2s, 2017	613,275
826,000	Texas Genco LLC/Texas Genco Financing Corp. 144A sr. notes 6 7/8s, 2014	854,910
135,000	Transcontinental Gas Pipeline Corp. debs. 7 1/4s, 2026	149,175
1,460,000	Utilicorp Canada Finance Corp. company guaranty 7 3/4s, 2011 (Canada)	1,511,100
510,000	Utilicorp United, Inc. sr. notes 9.95s, 2011	574,388

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547,000	Western Resources, Inc. sr. notes 9 3/4s, 2007	611,273
200,000	Williams Cos., Inc. (The) notes 8 3/4s, 2032	240,000
210,000	Williams Cos., Inc. (The) notes 8 1/8s, 2012	241,500
755,000	Williams Cos., Inc. (The) notes 7 5/8s, 2019	838,050
334,976	York Power Funding 144A notes 12s, 2007 (Cayman Islands) (In default) (NON) (F)	34
		39,247,396
	Total Corporate bonds and notes (cost \$355,214,506)	\$372,366,550
U.S. government and agency mortgage obligations (15.8%) (a)		
Principal amount		Value
<div style="padding-left: 40px;">Federal Home Loan Mortgage Corporation</div>		
\$7,500,000	6 1/2s, TBA, February 1, 2035	\$7,852,734
9,200,000	6 1/2s, TBA, March 1, 2035	9,616,875
18,938	7 1/2s, March 1, 2026	20,430
40,803,336	6 1/2s, with due dates from July 1, 2028 to September 1, 2034	42,767,407
Federal National Mortgage Association Pass-Through Certificates		
118,360	7 1/2s, with due dates from October 1, 2022 to January 1, 2030	127,089
10,767,379	6 1/2s, with due dates from April 1, 2024 to January 1, 2035	11,286,019
99,218	6 1/2s, April 1, 2016	104,299
47,900,000	6 1/2s, TBA, February 1, 2035	50,122,857
203,855	5s, June 1, 2019	207,398
3,100,000	5s, TBA, February 1, 2020	3,148,922
4,912,756	4 1/2s, with due dates from August 1, 2033 to June 1, 2034	4,805,096
32,600,000	4 1/2s, TBA, February 1, 2020	32,536,329
		\$162,595,455
Total U.S. government and agency mortgage obligations (cost \$162,259,306)		
U.S. treasury obligations (13.1%) (a)		
Principal amount		Value
<div style="padding-left: 40px;">U.S. Treasury Bonds</div>		
\$21,600,000	7 1/2s, November 15, 2016	\$27,891,000
33,514,000	6 1/4s, May 15, 2030	41,395,025
12,260,000	6 1/4s, August 15, 2023	14,704,338
U.S. Treasury Notes		
22,594,000	4 1/4s, August 15, 2013	22,876,425
13,910,000	3 1/4s, August 15, 2008	13,791,548
6,273,000	1 1/8s, June 30, 2005	6,234,774
20,460,000	U.S. Treasury Strip zero %, November 15, 2024	7,948,624
		\$134,841,734
Total U.S. treasury obligations (cost \$127,539,353)		

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Foreign government bonds and notes (11.3%) (a)		Value
Principal amount		
-----		-----
EUR	6,000,000 Austria (Republic of) 144A notes Ser. EMTN, 3.8s, 2013	\$8,016,692
	\$700,000 Brazil (Federal Republic of) bonds 10 1/2s, 2014	813,750
	2,415,000 Brazil (Federal Republic of) bonds 8 7/8s, 2019	2,493,488
	2,465,000 Brazil (Federal Republic of) notes 8 3/4s, 2025	2,430,737
	2,000,000 Brazil (Federal Republic of) unsub. notes 11s, 2040	2,318,000
	1,300,000 Bulgaria (Republic of) 144A bonds 8 1/4s, 2015	1,644,500
CAD	2,725,000 Canada (Government of) bonds 5 1/2s, 2010	2,384,512
CAD	930,000 Canada (Government of) bonds Ser. WL43, 5 3/4s, 2029	858,779
	\$560,000 Colombia (Republic of) bonds 10 3/8s, 2033	635,600
	1,285,000 Colombia (Republic of) bonds Ser. NOV, 9 3/4s, 2009	1,444,340
	1,480,000 Colombia (Republic of) notes 10 3/4s, 2013	1,726,420
	460,000 Dominican (Republic of) notes 9.04s, 2013	416,300
	2,085,000 Ecuador (Republic of) bonds stepped-coupon Ser. REGS, 7s (8s, 8/15/05), 2030 (STP)	1,928,625
	395,000 El Salvador (Republic of) bonds 8 1/4s, 2032	403,888
EUR	1,845,000 France (Government of) bonds 5 3/4s, 2032	3,086,526
EUR	4,830,000 France (Government of) bonds 5 1/2s, 2010	7,091,793
EUR	9,000,000 France (Government of) bonds 4s, 2013	12,240,881
EUR	1,080,000 France (Government of) deb. 4s, 2009	1,473,833
EUR	7,250,000 Germany (Federal Republic of) bonds Ser. 97, 6s, 2007	10,210,347
EUR	6,340,000 Germany (Federal Republic of) bonds Ser. 97, 6s, 2007	8,813,082
EUR	1,875,000 Greece (Hellenic Republic of) bonds 3 1/2s, 2008	2,500,817
	\$645,000 Indonesia (Republic of) FRN 3.205s, 2005	638,550
	260,000 Indonesia (Republic of) FRN 2.795s, 2006	256,100
	110,000 Indonesia (Republic of) 144A sr. notes 6 3/4s, 2014	112,200
	925,000 Intelsat Bermuda, Ltd. 144A sr. notes 8 5/8s, 2015	963,156
	520,000 Peru (Republic of) bonds 8 3/4s, 2033	556,400
	1,735,000 Philippines (Republic of) bonds 9 1/2s, 2030	1,724,156
	1,930,000 Philippines (Republic of) bonds 8 3/8s, 2011	1,981,145
	8,662,500 Russia (Federation of) 144A unsub. stepped-coupon 5s (7 1/2s,	

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	3/31/07), 2030 (STP)	9,095,625
1,335,000	Russia (Ministry of Finance) deb. Ser. V, 3s, 2008	1,246,623
1,195,000	South Africa (Republic of) notes 7 3/8s, 2012	1,368,275
1,210,000	South Africa (Republic of) notes 6 1/2s, 2014	1,327,975
SEK 37,600,000	Sweden (Government of) bonds Ser. 3101, 4s, 2008	6,719,304
SEK 43,075,000	Sweden (Government of) debts. Ser. 1041, 6 3/4s, 2014	7,642,209
\$3,610,000	United Mexican States bonds Ser. MTN, 8.3s, 2031	4,375,320
2,875,000	United Mexican States notes 6 5/8s, 2015	3,117,938
570,000	Venezuela (Republic of) bonds 9 3/8s, 2034	588,240
225,000	Venezuela (Republic of) notes 10 3/4s, 2013	259,425
495,000	Venezuela (Republic of) notes 8 1/2s, 2014	503,663
1,020,000	Venezuela (Republic of) unsub. bonds 5 3/8s, 2010	938,400
	-----	
	Total Foreign government bonds and notes (cost \$100,078,837)	\$116,347,614

### Asset-backed securities (9.9%) (a)

		Value
Principal amount		-----
\$507,774	ABSC NIMS Trust 144A Ser. 03-HE5, Class A, 7s, 2033 Aegis Asset Backed Securities Trust 144A	\$509,805
100,138	Ser. 04-1N, Class Note, 5s, 2034	100,138
255,730	Ser. 04-2N, Class N1, 4 1/2s, 2034	255,130
218,898	Ser. 04-4N, Class Note, 5s, 2034	219,035
427,000	Ameriquest Finance NIM Trust 144A Ser. 04-RN9, Class N2, 10s, 2034	395,530
4,491,818	Amortizing Residential Collateral Trust Ser. 02-BC1, Class A, IO (Interest only), 6s, 2005	17,921
54,558	AQ Finance NIM Trust 144A Ser. 03-N9A, Class Note, 7.385s, 2033 Arcap REIT, Inc. 144A	54,662
535,000	Ser. 03-1A, Class E, 7.11s, 2038	570,109
304,000	Ser. 04-1A, Class E, 6.42s, 2039 Argent NIM Trust 144A	310,033
44,689	Ser. 03-N6, Class A, 6.4s, 2034 (Cayman Islands)	44,801
61,553	Ser. 04-WN2, Class A, 4.55s, 2034 (Cayman Islands)	61,553
	Asset Backed Funding Corp. NIM Trust 144A	
5,538	Ser. 03-WF1, Class N1, 8.35s, 2032	5,538
220,000	Ser. 04-0PT1, Class N2, 6.9s, 2033 (Cayman Islands)	219,999
249,507	Ser. 04-0PT5, Class N1, 4 1/2s, 2034 (Cayman Islands)	249,507
350,566	Ser. 04-FF1, Class N1, 5s, 2034 (Cayman Islands)	349,413
27,000	Ser. 04-FF1, Class N2, 5s, 2034	

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	(Cayman Islands)	24,886
356,000	Ser. 04-HE1, Class N2, 8s, 2034 (Cayman Islands)	345,895
424,974	Aviation Capital Group Trust 144A FRB Ser. 03-2A, Class G1, 3.2s, 2033	425,605
480,000	Bank One Issuance Trust FRB Ser. 03-C4, Class C4, 3.51s, 2011	489,563
23,554,107	Bayview Financial Acquisition Trust Ser. 03-X, Class A, IO, 0.9s, 2006 Bear Stearns Asset Backed Securities NIM Trust 144A	409,735
267,832	Ser. 04-HE10, Class A1, 4 1/4s, 2034 (Cayman Islands)	267,832
387,479	Ser. 04-HE6, Class A1, 5 1/4s, 2034 (Cayman Islands)	388,145
356,713	Ser. 04-HE7N, Class A1, 5 1/4s, 2034 (Cayman Islands)	357,382
352,000	Bear Stearns Asset Backed Securities, Inc. Ser. 04-FR3, Class M6, 5.668s, 2034	352,000
	Bombardier Capital Mortgage Securitization Corp.	
903,189	Ser. 00-A, Class A4, 8.29s, 2030	758,678
1,105,472	Ser. 99-B, Class A3, 7.18s, 2015	851,214
1,149,109	Ser. 99-B, Class A4, 7.3s, 2016	892,054
259,163	Bombardier Capital Mortgage Securitization Corp. FRB Ser. 00-A, Class A1, 2.64s, 2030	132,510
	CARSSX Finance, Ltd. 144A	
227,474	FRB Ser. 04-AA, Class B3, 5.83s, 2011 (Cayman Islands)	232,459
831,685	FRB Ser. 04-AA, Class B4, 7.98s, 2011 (Cayman Islands)	853,744
490,000	Chase Credit Card Master Trust FRB Ser. 03-3, Class C, 3.56s, 2010	501,865
37,560	Chase Funding Net Interest Margin 144A Ser. 03-4A, Class Note, 6 3/4s, 2036	37,654
	CHEC NIM Ltd., 144A	
407,566	Ser. 04-2, Class N1, 4.45s, 2034 (Cayman Islands)	407,543
132,000	Ser. 04-2, Class N2, 8s, 2034 (Cayman Islands)	131,246
81,000	Ser. 04-2, Class N3, 8s, 2034 (Cayman Islands)	69,660
	Conseco Finance Securitizations Corp.	
425,579	Ser. 00-2, Class A4, 8.48s, 2030	427,112
2,765,461	Ser. 00-4, Class A4, 7.73s, 2031	2,699,185
340,000	Ser. 00-4, Class A5, 7.97s, 2032	293,182
4,814,000	Ser. 00-4, Class A6, 8.31s, 2032	4,262,006
1,111,634	Ser. 00-6, Class M2, 8.2s, 2032	111,163
378,000	Ser. 01-4, Class A4, 7.36s, 2033	388,130
1,230,000	Ser. 01-1, Class A5, 6.99s, 2032	1,176,208
18,000	Ser. 01-3, Class A3, 5.79s, 2033	18,356
4,335,000	Ser. 01-3, Class A4, 6.91s, 2033	4,332,399
400,000	Ser. 01-3, Class M2, 7.44s, 2033	66,000
1,064,829	Ser. 01-4, Class B1, 9.4s, 2033	143,752
2,987,493	Ser. 02-1, Class A, 6.681s, 2033	3,111,574
414,000	FRB Ser. 01-4, Class M1, 4.03s, 2033	174,584
1,100,000	Consumer Credit Reference IDX Securities 144A FRB Ser. 02-1A,	

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	Class A, 4.521s, 2007	1,117,270
	Countrywide Asset Backed Certificates 144A	
1,807,343	Ser. 04-6N, Class N1, 6 1/4s, 2035	1,807,343
258,088	Ser. 04-BC1N, Class Note, 5 1/2s, 2035	257,602
603,000	Crest, Ltd. 144A Ser. 03-2A, Class E2, 8s, 2038	608,849
722,000	CS First Boston Mortgage Securities Corp. 144A Ser. 05-6N, Class A, 5 1/4s, 2035	719,574
2,500,000	First Chicago Lennar Trust 144A Ser. 97-CHL1, Class E, 7.863s, 2039	2,598,047
807,786	First Consumers Master Trust FRN Ser. 01-A, Class A, 2.79s, 2008	803,747
	First Franklin NIM Trust 144A	
172,597	Ser. 03-FF3A, Class A, 6 3/4s, 2033	171,927
397,999	Ser. 04-FF10, Class N1, 4.45s, 2034 (Cayman Islands)	397,973
	Fremont NIM Trust 144A	
14,172	Ser. 03-B, Class Note, 5.65s, 2033	14,189
86,692	Ser. 04-3, Class B, 7 1/2s, 2034	84,984
333,142	Ser. 04-A, Class Note, 4 3/4s, 2034	332,309
602,581	Fremont Trust 144A Ser. 04-3, Class A, 4 1/2s, 2034	601,556
	Granite Mortgages PLC	
490,000	FRB Ser. 02-1, Class 1C, 3.97s, 2042 (United Kingdom)	497,693
EUR 2,005,000	FRB Ser. 03-2, Class 2C1, 5.2s, 2043 (United Kingdom)	2,784,489
GBP 1,505,000	FRB Ser. 03-2, Class 3C, 6.42s, 2043 (United Kingdom)	2,940,458
	Green Tree Financial Corp.	
\$517,182	Ser. 94-4, Class B2, 8.6s, 2019	367,716
1,251,681	Ser. 94-6, Class B2, 9s, 2020	1,016,866
525,430	Ser. 95-4, Class B1, 7.3s, 2025	495,546
509,436	Ser. 95-8, Class B1, 7.3s, 2026	383,911
187,270	Ser. 95-F, Class B2, 7.1s, 2021	171,118
545,000	Ser. 96-8, Class M1, 7.85s, 2027	482,216
135,592	Ser. 99-3, Class A5, 6.16s, 2031	136,925
1,739,000	Ser. 99-5, Class A5, 7.86s, 2030 Greenpoint Manufactured Housing	1,560,295
3,117,333	Ser. 00-3, Class IA, 8.45s, 2031	3,032,937
50,000	Ser. 99-5, Class A4, 7.59s, 2028	52,780
1,663,000	GS Auto Loan Trust 144A Ser. 04-1, Class D, 5s, 2011 GSAMP Trust 144A	1,638,221
54,229	Ser. 03-HE1N, Class Note, 7 1/4s, 2033	54,262
164,311	Ser. 04-FM1N, Class Note, 5 1/4s, 2033	164,196
187,980	Ser. 04-HE1N, Class N1, 5s, 2034	187,642
1,898,317	Ser. 04-NIM1, Class N1, 5 1/2s, 2034	1,897,367
732,000	Ser. 04-NIM1, Class N2, zero %, 2034	541,534
1,847,818	Ser. 04-NIM2, Class N, 4 7/8s, 2034	1,839,872
100,538	Ser. 04-RENM, Class Note, 5 1/2s, 2032	100,538
267,205	Ser. 04-SE2N, Class Note, 5 1/2s, 2034	267,071
	Holmes Financing PLC FRB	
331,000	Ser. 8, Class 2C, 3.38s, 2040 (United Kingdom)	332,490

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300,000	Ser. 4, Class 3C, 3.96s, 2040 (United Kingdom) Home Equity Asset Trust 144A	303,840
112,898	Ser. 02-5N, Class A, 8s, 2033	112,898
3,318	Ser. 03-4N, Class A, 8s, 2033	3,318
137,011	Ser. 03-7N, Class A, 5 1/4s, 2034	137,096
97,493	Ser. 04-1N, Class A, 5s, 2034	97,493
439,865	Ser. 04-5N, Class A, 5 1/4s, 2034 LNR CDO, Ltd. 144A	440,387
1,755,000	FRB Ser. 02-1A, Class FFL, 5.27s, 2037 (Cayman Islands)	1,755,000
1,070,000	FRB Ser. 03-1A, Class EFL, 5.52s, 2036 (Cayman Islands) Long Beach Asset Holdings Corp. NIM Trust 144A	1,161,164
8,418	Ser. 03-2, Class N1, 7.627s, 2033	8,418
4,482	Ser. 03-4, Class N1, 6.535s, 2033	4,482
247,537	Ser. 04-2, Class N1, 4.94s, 2034	247,537
353,635	Ser. 04-5, Class Note, 5s, 2034	354,413
2,369,228	Long Beach Mortgage Loan Trust Ser. 04-3, Class S1, IO, 4 1/2s, 2006	122,904
GBP 1,200,000	Lothian Mortgages PLC 144A FRN Ser. 3A, Class D, 5.67s, 2039 (United Kingdom)	2,263,080
\$1,457,253	Madison Avenue Manufactured Housing Contract FRB Ser. 02-A, Class B1, 5.78s, 2032 Master Asset Backed Securities NIM Trust 144A	801,489
200,000	Ser. 04-CI5, Class N2, 10s, 2034	199,800
310,531	Ser. 04-HE1, Class A, 5 1/4s, 2034	310,500
490,000	MBNA Credit Card Master Note Trust FRN Ser. 03-C5, Class C5, 3.66s, 2010	500,782
82,957	Merrill Lynch Mortgage Investors, Inc. Ser. 03-WM3N, Class N1, 8s, 2005 Merrill Lynch Mortgage Investors, Inc. 144A	83,172
200,026	Ser. 04-FM1N, Class N1, 5s, 2035	199,146
164,464	Ser. 04-HE1N, Class N1, 5s, 2006	163,313
236,886	Mid-State Trust Ser. 11, Class B, 8.221s, 2038	230,558
303,000	Morgan Stanley ABS Capital I FRB Ser. 04-HE8, Class B3, 5.73s, 2034	305,996
35,134	Morgan Stanley ABS Capital I 144A Ser. 04-NC2N, Class Note, 6 1/4s, 2033	35,345
240,000	Morgan Stanley Auto Loan Trust 144A Ser. 04-HB2, Class E, 5s, 2012 Morgan Stanley Dean Witter Capital I	232,575
156,114	FRN Ser. 01-NC3, Class B1, 4.98s, 2031	154,635
419,893	FRN Ser. 01-NC4, Class B1, 5.03s, 2032	416,499
97,079	New Century Mortgage Corp. NIM Trust 144A Ser. 03-B, Class Note, 6 1/2s, 2033	97,352
132,576	Novastar NIM Trust 144A Ser. 04-N1, Class Note, 4.458s, 2034 Oakwood Mortgage Investors, Inc.	132,576
1,451,000	Ser. 00-D, Class A4, 7.4s, 2030	948,083

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1,990,970	Ser. 01-C, Class A2, 5.92s, 2017	1,254,710
982,969	Ser. 01-C, Class A4, 7.405s, 2030	684,933
310,727	Ser. 01-D, Class A2, 5.26s, 2019	240,099
1,196,000	Ser. 01-D, Class A4, 6.93s, 2031	945,677
2,228,129	Ser. 01-E, Class A2, 5.05s, 2019	1,824,628
662,886	Ser. 02-A, Class A2, 5.01s, 2020	558,084
627,000	Ser. 02-B, Class A4, 7.09s, 2032	564,300
2,692,813	Ser. 02-C, Class A1, 5.41s, 2032	2,393,103
1,074,358	Ser. 99-B, Class A4, 6.99s, 2026	973,804
1,928,159	Ser. 99-D, Class A1, 7.84s, 2029	1,829,437
535,920	Oakwood Mortgage Investors, Inc. 144A Ser. 01-B, Class A4, 7.21s, 2030	510,785
683,000	Ocean Star PLC 144A FRB Ser. 04-A, Class E, 8.606s, 2018 (Ireland)	683,000
47,470	Option One Mortgage Securities Corp. NIM Trust 144A Ser. 03-5, Class Note, 6.9s, 2033	47,708
100,000	Park Place Securities NIM Trust 144A Ser. 04-WCW2, Class D, 7.387s, 2034	100,000
279,835	Pass-Through Amortizing Credit Card Trust Ser. 02-1A, Class A4FL, 7.98s, 2012	280,283
145,000	People's Choice Net Interest Margin Note 144A Ser. 04-2, Class B, 5s, 2034	131,370
380,000	Permanent Financing PLC FRB Ser. 1, Class 3C, 3.66s, 2042 (United Kingdom)	383,648
490,000	Ser. 3, Class 3C, 3.61s, 2042 (United Kingdom)	496,664
GBP 1,251,000	Ser. 6, Class 3C, 5.54s, 2042 (United Kingdom)	2,359,261
\$1,848,000	Providian Gateway Master Trust Ser. 02, Class B, zero %, 2006	1,734,732
2,977,378	Residential Asset Mortgage Products, Inc. Ser. 03-RZ1, Class A, IO, 5 3/4s, 2005	61,212
659,709	Residential Asset Securities Corp. 144A Ser. 04-N10B, Class A1, 5s, 2034	659,709
332,714	Rural Housing Trust Ser. 87-1, Class D, 6.33s, 2026	341,448
333,585	SAIL Net Interest Margin Notes 144A Ser. 03-10A, Class A, 7 1/2s, 2033 (Cayman Islands)	335,253
138,684	Ser. 03-12A, Class A, 7.35s, 2033 (Cayman Islands)	140,071
107,171	Ser. 03-3, Class A, 7 3/4s, 2033 (Cayman Islands)	107,975
46,133	Ser. 03-4, Class A, 7 1/2s, 2033 (Cayman Islands)	46,082
233,038	Ser. 03-5, Class A, 7.35s, 2033 (Cayman Islands)	232,970
79,693	Ser. 03-6A, Class A, 7s, 2033 (Cayman Islands)	79,693
189,888	Ser. 03-7A, Class A, 7s, 2033 (Cayman Islands)	188,479
43,934	Ser. 03-8A, Class A, 7s, 2033 (Cayman Islands)	43,713
122,098	Ser. 03-9A, Class A, 7s, 2033 (Cayman Islands)	121,463



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215,091	Ser. 03-BC2A, Class A, 7 3/4s, 2033 (Cayman Islands)	214,466
1,097,590	Ser. 04-10A, Class A, 5s, 2034 (Cayman Islands)	1,098,029
553,161	Ser. 04-2A, Class A, 5 1/2s, 2034 (Cayman Islands)	553,161
677,328	Ser. 04-4A, Class A, 5s, 2034 (Cayman Islands)	676,312
179,523	Ser. 04-7A, Class A, 4 3/4s, 2034 (Cayman Islands)	179,274
44,852	Ser. 04-7A, Class B, 6 3/4s, 2034 (Cayman Islands)	44,107
1,065,573	Ser. 04-8A, Class A, 5s, 2034 (Cayman Islands)	1,065,573
274,100	Ser. 04-8A, Class B, 6 3/4s, 2034 (Cayman Islands)	267,946
	SAIL Net Interest Margin Notes 144A	
376,748	Ser. 04-AA, Class A, 4 1/2s, 2034 (Cayman Islands)	375,429
	Sasco Net Interest Margin Trust 144A	
102,399	Ser. 03-AM1, Class A, 7 3/4s, 2033 (Cayman Islands)	102,115
381,625	Ser. 03-BC1, Class B, zero %, 2033	324,381
87,922	Saxon Net Interest Margin Trust 144A Ser. 03-A, Class A, 6.656s, 2033	87,922
	Sharps SP I, LLC Net Interest Margin Trust 144A	
81,866	Ser. 03-0P1N, Class NA, 4.45s, 2033	81,768
70,927	Ser. 03-HS1N, Class N, 7.48s, 2033	71,104
87,701	Ser. 03-NC1N, Class N, 7 1/4s, 2033	88,061
37,688	Ser. 03-TC1N, Class N, 7.45s, 2033	37,688
153,255	Ser. 04-HE2N, Class NA, 5.43s, 2034	152,872
44,232	Ser. 04-HS1N, Class Note, 5.92s, 2034	44,232
200,000	South Coast Funding 144A FRB Ser. 3A, Class A2, 3.46s, 2038 Structured Asset Investment Loan Trust	202,620
164,935	Ser. 03-BC1A, Class A, 7 3/4s, 2033	165,450
5,664,011	Ser. 03-BC2, Class A, IO, 6s, 2005	50,789
2,688,674	Ser. 03-BC8, Class A, IO, 6s, 2005	50,626
15,461,232	Ser. 04-1, Class A, IO, 6s, 2005	444,559
650,000	TIAA Real Estate CD0, Ltd. Ser. 03-1A, Class E, 8s, 2038 (Cayman Islands)	629,620
544,000	TIAA Real Estate CD0, Ltd. 144A Ser. 02-1A, Class IV, 6.84s, 2037	516,898
3,438,400	Washington Mutual Ser. 03-S1, Class All, IO, 5 1/2s, 2033 Wells Fargo Home Equity Trust 144A	131,089
1,216,931	Ser. 04-2, Class N1, 4.45s, 2034	1,216,859
303,000	Ser. 04-2, Class N2, 8s, 2034 Whole Auto Loan Trust 144A	287,850
763,414	Ser. 03-1, Class D, 6s, 2010	760,670
814,000	Ser. 04-1, Class D, 5.6s, 2011	811,583
	Total Asset-backed securities (cost \$103,539,946)	\$101,869,206

Collateralized mortgage obligations (4.4%) (a)

Principal amount

Value

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	Banc of America Commercial Mortgage, Inc. 144A	
\$231,000	Ser. 01-1, Class J, 6 1/8s, 2036	\$227,752
519,000	Ser. 01-1, Class K, 6 1/8s, 2036	385,864
298,000	Banc of America Large Loan 144A FRN Ser. 02-FL2A, Class L1, 5.4s, 2014	298,874
348,000	Bear Stearns Commercial Mortgage Securitization Corp. Ser. 00-WF2, Class F, 8.195s, 2032	416,691
490,000	Bear Stearns Commercial Mortgage Securitization Corp. 144A Ser. 04-ESA, Class K, 4.95s, 2016	489,998
5,071,253	Commercial Mortgage Acceptance Corp. Ser. 97-ML1, IO, 0.916s, 2017	112,518
754,000	Commercial Mortgage Pass-Through Certificates 144A Ser. 01-FL4A, Class D, 3.253s, 2013	736,431
1,858,000	Criimi Mae Commercial Mortgage Trust Ser. 98-C1, Class A2, 7s, 2033	1,976,448
2,814,000	Criimi Mae Commercial Mortgage Trust 144A Ser. 98-C1, Class B, 7s, 2033	3,001,607
	CS First Boston Mortgage Securities Corp. 144A	
501,000	FRB Ser. 03-TF2A, Class L, 6.48s, 2014	498,291
1,360,000	Ser. 98-C1, Class F, 6s, 2040	998,590
499,000	Ser. 02-CP5, Class M, 5 1/4s, 2035	358,532
52,512,417	Deutsche Mortgage & Asset Receiving Corp. Ser. 98-C1, Class X, IO, 1.082s, 2031	1,367,118
	DLJ Commercial Mortgage Corp.	
399,789	Ser. 98-CF2, Class B4, 6.04s, 2031	391,913
1,281,541	Ser. 98-CF2, Class B5, 5.95s, 2031	878,124
	DLJ Mortgage Acceptance Corp. 144A	
390,000	Ser. 97-CF1, Class B2, 8.16s, 2030	97,500
375,000	Ser. 97-CF1, Class B1, 7.91s, 2030	408,093
192,091	European Loan Conduit 144A FRN Ser. 6A, Class F, 7.148s, 2010 (United Kingdom)	366,793
	Fannie Mae	
942	Ser. 92-15, Class L, IO, 1037.606s, 2022	9,935
159,850	Ser. 98-51, Class SG, IO, 24.04s, 2022	76,820
538,690	Ser. 02-36, Class SJ, 14.081s, 2029	568,674
566,479	Ser. 03-W3, Class 1A3, 7 1/2s, 2042	606,659
10,925	Ser. 03-W2, Class 1A3, 7 1/2s, 2042	11,704
1,238	Ser. 02-W1, Class 2A, 7 1/2s, 2042	1,318
4,792	Ser. 02-14, Class A2, 7 1/2s, 2042	5,126
696,684	Ser. 01-T10, Class A2, 7 1/2s, 2041	744,105
3,092	Ser. 02-T4, Class A3, 7 1/2s, 2041	3,303
7,674	Ser. 01-T8, Class A1, 7 1/2s, 2041	8,188
2,701,505	Ser. 01-T7, Class A1, 7 1/2s, 2041	2,879,451
404,383	Ser. 01-T3, Class A1, 7 1/2s, 2040	431,333
1,234,429	Ser. 01-T1, Class A1, 7 1/2s, 2040	1,319,114
512,533	Ser. 99-T2, Class A1, 7 1/2s, 2039	548,010
257,763	Ser. 00-T6, Class A1, 7 1/2s, 2030	274,741
1,208,048	Ser. 01-T4, Class A1, 7 1/2s, 2028	1,296,795
2,471	Ser. 02-W3, Class A5, 7 1/2s, 2028	2,644
1,283,032	Ser. 03-58, Class ID, IO, 6s, 2033	222,927
1,255,472	Ser. 03-26, Class IG, IO, 6s, 2033	185,275
1,010,497	Ser. 322, Class 2, IO, 6s, 2032	181,574

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1,274,280	Ser. 318, Class 2, IO, 6s, 2032	233,502
1,700,007	Ser. 03-118, Class S, IO, 5.57s, 2033	187,001
1,896,785	Ser. 03-118, Class SF, IO, 5.57s, 2033	223,465
1,167,161	Ser. 02-36, Class QH, IO, 5.52s, 2029	39,658
6,128,565	Ser. 338, Class 2, IO, 5 1/2s, 2033	1,210,870
2,773,214	Ser. 329, Class 2, IO, 5 1/2s, 2033	543,593
3,620,712	Ser. 03-37, Class IC, IO, 5 1/2s, 2027	327,562
470,612	Ser. 03-6, Class IB, IO, 5 1/2s, 2022	7,762
10,461,013	Ser. 03-W10, Class 1A, IO, 1.651s, 2043	235,373
12,299,229	Ser. 03-W10, Class 3A, IO, 1.615s, 2043	284,420
6,782,489	Ser. 03-W17, Class 12, IO, 1.158s, 2033	221,111
10,936,063	Ser. 00-T6, IO, 0.755s, 2030	196,507
19,287,264	Ser. 02-T18, IO, 0.52s, 2042	273,362
207,812	Ser. 99-51, Class N, PO (Principal only), zero %, 2029	178,978
84,120	Ser. 99-52, Class MO, PO, zero %, 2026	80,195
	Federal Home Loan Mortgage Corp. Structured Pass-Through Securities	
14,740	Ser. T-58, Class 4A, 7 1/2s, 2043	15,754
6,378,995	Ser. T-57, Class 1AX, IO, 0.446s, 2043	61,876
18,395,364	FFCA Secured Lending Corp. Ser. 00-1, Class X, IO, 1.562s, 2020 Freddie Mac	1,079,091
721,062	IFB Ser. 2763, Class SC, 18.68s, 2032	835,032
3,954,596	Ser. 216, IO, 6s, 2032	704,876
2,008,400	Ser. 2515, Class IG, IO, 5 1/2s, 2032	466,785
964,069	Ser. 2626, Class IK, IO, 5 1/2s, 2030	171,040
1,033,400	Ser. 2590, Class IH, IO, 5 1/2s, 2028	184,074
712,362	Ser. 2833, Class IK, IO, 5 1/2s, 2023	96,169
427,901	Ser. 215, PO, zero %, 2031	384,994
424,978	Ser. 2235, PO, zero %, 2030	361,630
	GE Capital Commercial Mortgage Corp. 144A	
838,000	Ser. 00-1, Class G, 6.131s, 2033	748,585
522,000	Ser. 00-1, Class H, 6.131s, 2033	373,909
739,550	GMAC Commercial Mortgage Securities, Inc. 144A Ser. 99-C3, Class G, 6.974s, 2036	589,435
	Government National Mortgage Association	
361,041	Ser. 01-43, Class SJ, IO, 5.1s, 2029	3,892
196,730	Ser. 98-2, Class EA, PO, zero %, 2028	167,374
300,000	GS Mortgage Securities Corp. II 144A FRB Ser. 03-FL6A, Class L, 5.73s, 2015	300,375
GBP 1,578,529	Hermione (European Loan Conduit No.	

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	14) 144A FRB Class A, 4.489s, 2011 (Ireland)	2,993,320
	LB Commercial Conduit Mortgage Trust 144A	
\$355,850	Ser. 99-C1, Class G, 6.41s, 2031	343,765
1,396,000	Ser. 98-C4, Class J, 5.6s, 2035	1,020,661
825,000	Lehman Brothers Floating Rate Commercial Mortgage Trust 144A FRN Ser. 03-LLFA, Class L, 6.2s, 2014	814,277
	Mach One Commercial Mortgage Trust 144A	
594,000	Ser. 04-1A, Class J, 5.45s, 2040	497,653
297,000	Ser. 04-1A, Class K, 5.45s, 2040	242,798
135,000	Ser. 04-1A, Class L, 5.45s, 2040	98,803
9,214,581	Merrill Lynch Mortgage Investors, Inc. Ser. 96-C2, Class JS, IO, 2.13s, 2028	455,620
8,113,000	Merrill Lynch Mortgage Trust 144A Ser. 04-BPC1, Class XC, IO, 0.059s, 2041	157,189
1,439,162	Mezz Cap Commercial Mortgage Trust 144A Ser. 04-C1, Class X, IO, 6.18s, 2037	639,809
2,430,000	Morgan Stanley Capital I 144A Ser. 04-RR, Class F7, 6s, 2039	1,791,061
7,079,343	Mortgage Capital Funding, Inc. Ser. 97-MC2, Class X, IO, 1.483s, 2012	173,132
459,501	Mortgage Capital Funding, Inc. FRB Ser. 98-MC2, Class E, 7.146s, 2030	497,270
174,000	PNC Mortgage Acceptance Corp. 144A Ser. 00-C1, Class J, 6 5/8s, 2010 Starwood Asset Receivables Trust 144A	154,141
245,003	FRB Ser. 03-1A, Class F, 3.63s, 2022	245,322
308,522	FRB Ser. 03-1A, Class E, 3.58s, 2022 STRIPS 144A	308,923
229,000	Ser. 03-1A, Class M, 5s, 2018 (Cayman Islands)	189,727
272,000	Ser. 03-1A, Class N, 5s, 2018 (Cayman Islands)	203,102
245,000	Ser. 04-1A, Class M, 5s, 2018 (Cayman Islands)	205,335
235,000	Ser. 04-1A, Class N, 5s, 2018 (Cayman Islands)	178,882
EUR	563,000 Titan Europe PLC 144A FRN Ser. 04-2A, Class D, 3.08s, 2014 (Ireland)	733,814
		-----
	Total Collateralized mortgage obligations (cost \$51,493,443)	\$45,121,687

Senior loans (2.2%) (a) (c)  
Principal amount Value

Basic Materials (0.1%)

\$205,323	Graphics Packaging bank term loan FRN Ser. Ser. C, 5.133s, 2010	\$208,660
347,375	Hercules, Inc. bank term loan FRN Ser. B, 3.985s, 2010	350,523
171,674	Nalco Co. bank term loan FRN Ser. B,	

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	4.635s, 2010	173,939
230,518	SGL Carbon, LLC bank term loan FRN 4.95s, 2009	231,671
		964,793
 Capital Goods (0.1%)		
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205,589	Allied Waste Industries, Inc. bank term loan FRN 5 1/8s, 2010	208,526
35,003	Allied Waste Industries, Inc. bank term loan FRN Ser. C, 2.4s, 2010	35,441
274,304	Amsted Industries bank term loan FRN 5.432s, 2010	278,761
191,187	EaglePicher bank term loan FRN Ser. B, 5.46s, 2009	191,426
89,236	Flowserve Corp. bank term loan FRN Ser. C, 5.358s, 2009	90,742
158,173	Invensys, PLC bank term loan FRN Ser. B-1, 6.091s, 2009 (United Kingdom)	160,644
188,991	Mueller Group bank term loan FRN 5.099s, 2011	190,645
198,500	Solo Cup Co. bank term loan FRN 4.993s, 2011	201,850
98,517	SPX Corp. bank term loan FRN Ser. B-1, 4.438s, 2009	98,886
74,251	Transdigm, Inc. bank term loan FRN Ser. C, 4.67s, 2010	75,133
		1,532,054
 Communication Services (0.1%)		
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99,333	Consolidated Communications bank term loan FRN Ser. C, 4.95s, 2012	100,823
109,172	PanAmSat Corp. bank term loan FRN Ser. B, 5 1/4s, 2011	109,948
268,125	Qwest Communications International, Inc. bank term loan FRN Ser. A, 7.39s, 2007	279,425
99,500	SBA Senior Finance, Inc. bank term loan FRN 4.862s, 2008	100,713
		590,909
 Consumer Cyclical (0.5%)		
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650,000	Advertising Direct bank term loan FRN 4.48s, 2011	655,455
650,000	Boise Cascade Corp. bank term loan FRN Ser. C, 4.688s, 2011	650,222
800,000	Borgata Resorts bank term loan FRN Ser. B, 3.93s, 2011	806,666
187,294	Coinmach Corp. bank term loan FRN Ser. B, 5.448s, 2009	189,167
245,288	Dex Media West, LLC bank term loan FRN Ser. B, 4.26s, 2010	248,220
160,000	Goodyear Tire & Rubber Co. (The) bank term loan FRN 7.03s, 2006	162,240
150,000	Goodyear Tire & Rubber Co. (The) bank term loan FRN 4.6s, 2007	151,359

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234,988	Hayes Lemmerz International, Inc. bank term loan FRN 6.148s, 2009	238,953
244,444	Lamar Media bank term loan FRN Ser. D, 4.063s, 2010	246,965
100,000	Landsource bank term loan FRN Ser. B, 5.063s, 2010	101,375
135,230	Penn National Gaming, Inc. bank term loan FRN Ser. D, 4.99s, 2010	135,535
190,762	PRIMEDIA, Inc. bank term loan FRN Ser. B, 5 3/8s, 2009	188,377
469,726	RH Donnelley Finance Corp. bank term loan FRN Ser. A-3, 4.236s, 2009	472,341
322,920	RH Donnelley Finance Corp. bank term loan FRN Ser. B, 4.275s, 2011	325,913
134,286	Sealy Mattress Co. bank term loan FRN Ser. C, 4.535s, 2012	136,076
761,406	TRW Automotive bank term loan FRN Ser. B, 4 3/8s, 2010	762,516
220,000	WRC Media Corp. bank term loan FRN 6.761s, 2009	218,350
	-----	
		5,689,730

### Consumer Staples (0.7%)

47,374	Affinity Group Holdings bank term loan FRN Ser. B1, 5.514s, 2009	47,809
118,436	Affinity Group Holdings bank term loan FRN Ser. B2, 5.474s, 2009	119,522
155,910	AMF Bowling Worldwide bank term loan FRN Ser. B, 5.506s, 2009	157,275
1,120,000	Century Cable Holdings bank term loan FRN 7 1/4s, 2009	1,111,000
966,771	Charter Communications Holdings, LLC/Capital Corp. bank term loan FRN Ser. B, 5.38s, 2011	962,714
1,000,000	Constellation Brands, Inc. bank term loan FRN Ser. B, 4.404s, 2011	1,012,321
237,890	Del Monte Foods Co. bank term loan FRN Ser. B, 4.96s, 2010	238,882
202,350	DirectTV bank term loan FRN Ser. B-2, 4.465s, 2010	205,031
19,616	Dole Food Co. bank term loan FRN Ser. D, 4.843s, 2009	19,904
160,000	Dole Holding Co. bank term loan FRN 8s, 2010	163,800
103,950	Insight Midwest LP/Insight Capital, Inc. bank term loan FRN 5.188s, 2009	105,457
239,400	MGM Studios bank term loan FRN Ser. B, 5.06s, 2011	239,340
465,000	Olympus Cable bank term loan FRN Ser. B, 7 1/4s, 2010	460,931
135,518	Rayovac Corp. bank term loan FRN Ser. C, 4.871s, 2009	136,761
291,767	Roundy's bank term loan FRN Ser. B, 4.263s, 2009	294,594
126,691	Six Flags, Inc. bank term loan FRN Ser. B, 4.9s, 2009	128,631
228,717	Sum Media bank term loan FRN Ser. B, 4.144s, 2009	230,290
900,000	Universal City Development bank term loan FRN Ser. B, 4.583s, 2011	913,500

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	397,000 Warner Music Group bank term loan FRN Ser. B, 5.209s, 2011	401,549
		-----
		6,949,311
Energy (---%)		
	-----	
	240,000 Dresser, Inc. bank term loan FRN 5.84s, 2010	243,600
Financial (0.2%)		
	-----	
	1,300,000 General Growth Property bank term loan FRN Ser. B, 4.64s, 2008	1,308,802
	326,082 Hilb, Rogal & Hamilton Co. bank term loan FRN Ser. B, 4.813s, 2011	330,362
		-----
		1,639,164
Health Care (0.2%)		
	-----	
	185,156 Beverly Enterprises, Inc. bank term loan FRN 5.082s, 2008	187,471
	159,600 Community Health Systems, Inc. bank term loan FRN Ser. B, 4.15s, 2011	160,772
	295,513 Concentra bank term loan FRN 5.045s, 2009	298,591
	492,985 DaVita, Inc. bank term loan FRN Ser. B, 4.458s, 2009	493,513
	159,200 Fisher Scientific International, Inc. bank term loan FRN Ser. B, 3.92s, 2011	160,328
	148,125 Hanger Orthopedic Group, Inc. bank term loan FRN 6.06s, 2009	149,051
	162,938 Kinetic Concepts, Inc. bank term loan FRN Ser. B, 4.31s, 2011	163,752
	203,156 Medex, Inc. bank term loan FRN Ser. B, 5 1/2s, 2009	204,849
		-----
		1,818,327
Transportation (---%)		
	-----	
	174,382 Pacer International, Inc. bank term loan FRN 4.371s, 2010	176,562
Utilities & Power (0.3%)		
	-----	
	1,132,452 EL Paso Corp. bank term loan FRN Ser. B, Class B, 5.188s, 2009	1,143,462
	293,000 El Paso Corp. bank Corp. term loan FRN Ser. C, 2.3s, 2009	295,289
	707,692 Texas Genco bank term loan FRN Ser. B, 4.48s, 2011	716,440
	292,308 Texas Genco bank term loan FRN Ser. DD, 4.02s, 2011	295,799
	160,000 Unisource Energy bank term loan FRN Ser. B, 5.652s, 2011	160,600
	162,533 Williams Products bank term loan FRN Ser. C, 4.99s, 2007	164,700
		-----
		2,776,290

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		-----
Total Senior loans		
(cost \$22,090,335)		\$22,380,740
Common stocks (0.7%) (a)		
Number of shares		Value
-----		
2,767	AboveNet, Inc. (NON) (S)	\$83,702
3,074	Alderwoods Group, Inc. (NON)	36,996
1,005,000	AMRESKO Creditor Trust (acquired 6/17/99, cost \$174,438) (NON) (RES) (R) (F)	1,005
1,522	Birch Telecom, Inc. (NON) (F)	15
652	Comdisco Holding Co., Inc. (S)	16,137
3,390,037	Contifinancial Corp. Liquidating Trust Units	84,751
21,241	Covad Communications Group, Inc. (NON) (S)	35,897
689	Crown Castle International Corp. (NON) (S)	11,300
1,529	Genesis HealthCare Corp. (NON)	53,026
64,253	Globix Corp. (NON)	227,456
750,000	iPCS Escrow, Inc. (NON) (F)	750
17,455	iPCS, Inc. (NON)	541,105
282	Knology, Inc. (NON)	649
220	Leucadia National Corp.	7,966
9,031	Lodgian, Inc. (NON)	106,114
160,000	Loewen Group International, Inc. (NON) (F)	16
8,147	Northwestern Corp. (NON)	231,049
1,112	Polymer Group, Inc. Class A (NON)	20,016
2,502	PSF Group Holdings, Inc. 144A Class A (NON) (F)	3,753,720
74,020	Regal Entertainment Group (F)	1,471,518
368	Sterling Chemicals, Inc. (NON)	14,536
1,195	Sun Healthcare Group, Inc. (NON) (S)	9,094
19	USA Mobility, Inc. (NON)	675
1,292,251	VFB LLC (acquired various dates from 6/22/99 to 12/8/03, cost \$955,585) (NON) (RES)	264,911
6,378	Washington Group International, Inc. (NON)	251,166
		-----
Total Common stocks		
(cost \$18,398,220)		\$7,223,570
Brady bonds (0.5%) (a)		
Principal amount		Value
-----		
\$2,350,000	Argentina (Republic of) govt. guaranty FRB Ser. L-GL, 3 1/2s, 2023 (In default) (NON)	\$1,304,250
1,107,362	Brazil (Federal Republic of) FRB Ser. 18 YR, 3 1/8s, 2012	1,058,970
591,181	Brazil (Federal Republic of) govt. guaranty FRB Ser. RG, 3 1/8s, 2012	565,347
985,000	Peru (Republic of) coll. FLIRB Ser. 20YR, 4 1/2s, 2017	913,588
853,600	Peru (Republic of) FRB Ser. 20 YR, 5s, 2017	806,652
		-----
Total Brady bonds (cost \$3,961,125)		\$4,648,807



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Preferred stocks (0.4%) (a)		Value
Number of shares		Value
\$15,119	Doane Pet Care Co. \$7.125 pfd.	\$786,188
38	Dobson Communications Corp. 13.00% pfd. (PIK)	20,520
540	First Republic Capital Corp. 144A 10.50% pfd.	558,900
17,777	iStar Financial, Inc. Ser. F, \$1.95 cum. pfd. (R)	464,869
100	Paxson Communications Corp. 14.25% cum. pfd. (PIK)	820,000
1,234	Rural Cellular Corp. Ser. B, 11.375% cum. pfd. (PIK)	1,116,770
Total Preferred stocks (cost \$3,655,277)		\$3,767,247

Convertible preferred stocks (0.2%) (a)		Value
Number of shares		Value
3,471	Emmis Communications Corp. Ser. A, \$3.125 cum. cv. pfd.	\$152,290
7,495	Omnicare, Inc. \$2.00 cv. pfd.	374,750
93	Paxson Communications Corp. 144A 9.75% cv. pfd. (PIK)	492,900
9,530	Williams Cos., Inc. (The) 144A \$2.75 cv. pfd.	818,389
Total Convertible preferred stocks (cost \$1,845,110)		\$1,838,329

Units (0.1%) (a)		Value
Number of units		Value
1,250,000	Morrison Knudsen Corp., 2032	\$95,313
951	XCL Equity Units zero % (F)	422,079
Total Units (cost \$2,522,752)		\$517,392

Convertible bonds and notes (--%) (a)		Value
Principal amount		Value
\$3,080,000	Cybernet Internet Services International, Inc. 144A cv. sr. disc. notes 13s, 2009 (Denmark) (In default) (NON)	\$31
380,000	WCI Communities, Inc. cv. sr. sub. notes 4s, 2023	493,525
Total Convertible bonds and notes (cost \$2,972,768)		\$493,556

Warrants (--%) (a) (NON)		Expiration date	Value
Number of warrants			Value
1,001	AboveNet, Inc.	9/8/08	\$12,012
1,178	AboveNet, Inc.	9/8/10	9,424
1,420	Dayton Superior Corp. 144A	6/15/09	--
694	MDP Acquisitions PLC 144A	10/1/13	19,432
550	Mikohn Gaming Corp. 144A	8/15/08	4,818

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560 ONO Finance PLC 144A (United Kingdom)	2/15/11	6
570 Pliant Corp. 144A	6/1/10	6
690 Travel Centers of America, Inc. 144A	5/1/09	3,450
2,310 Ubiquitel, Inc. 144A	4/15/10	--
3,937 Washington Group International, Inc. Ser. A	1/25/06	44,567
4,500 Washington Group International, Inc. Ser. B	1/25/06	37,800
2,432 Washington Group International, Inc. Ser. C	1/25/06	17,389
800 XM Satellite Radio Holdings, Inc. 144A	3/15/10	68,000
		-----
Total Warrants (cost \$812,351)		\$216,904

### Short-term investments (12.6%) (a)

Principal amount	Value
\$128,556,834 Putnam Prime Money Market (e)	\$128,556,834
148,965 Short-term investments held as collateral for loaned securities with yields ranging from 2.29% to 2.65% and due dates ranging from February 1, 2005 to March 22, 2005 (d)	148,891
1,500,000 U.S. Treasury Bills zero %, March 31, 2005 (SEG)	1,494,792
	-----
Total Short-term investments (cost \$130,200,517)	\$130,200,517
Total Investments (cost \$1,086,583,846)	\$1,104,429,308

(a) Percentages indicated are based on net assets of \$1,030,013,719.

(NON) Non-income-producing security.

(STP) The interest rate and date shown parenthetically represent the new interest rate to be paid and the date the fund will begin accruing interest at this rate.

(RES) Restricted, excluding 144A securities, as to public resale. The total market value of restricted securities held at January 31, 2005 was \$265,916 or less than 0.1% of net assets.

(PIK) Income may be received in cash or additional securities at the discretion of the issuer.

(SEG) This security was pledged and segregated with the custodian to cover margin requirements for futures contracts at January 31, 2005.

(F) Security is valued at fair value following procedures approved by the Trustees.

(R) Real Estate Investment Trust.

(S) Securities on loan, in part or in entirety, at January 31, 2005.

(c) Senior loans are exempt from registration under the Security Act of 1933, as amended, but contain certain restrictions on resale and cannot

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be sold publicly. These loans pay interest at rates which adjust periodically. The interest rate shown for senior loans are the current interest rates at January 31, 2005. Senior loans are also subject to mandatory and/or optional prepayment which cannot be predicted. As a result, the remaining maturity may be substantially less than the stated maturity shown (Notes 1 and 5).

(d) See Note 1 to the financial statements.

(e) See Note 4 to the financial statements regarding investments in Putnam Prime Money Market Fund.

144A after the name of a security represents those exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

TBA after the name of a security represents to be announced securities (Note 1).

FLIRB represents Front Loaded Interest Reduction Bond.

The rates shown on IFB and IF COP, which are securities paying interest rates that vary inversely to changes in the market interest rates, are the current interest rates at January 31, 2005.

Forward currency contracts to buy at January 31, 2005 (Unaudited)  
(aggregate face value \$149,817,898)

	Value	Aggregate face value	Delivery date	Unrealize appreciat (deprecia
Australian Dollar	\$29,080,827	\$28,992,479	4/20/05	\$88,348
British Pound	26,192,048	26,341,237	3/16/05	(149,189)
Canadian Dollar	80,066	80,420	4/20/05	(354)
Danish Krone	1,761,255	1,796,863	3/16/05	(35,608)
Euro	15,879,844	16,270,064	3/16/05	(390,220)
Japanese Yen	46,520,565	46,947,679	5/18/05	(427,114)
New Zealand Dollar	437,275	440,413	4/20/05	(3,138)
Polish Zloty	742,595	738,758	3/16/05	3,837
Swedish Krona	2,483,532	2,594,759	3/16/05	(111,227)
Swiss Franc	22,181,239	23,013,575	3/16/05	(832,336)
Taiwan Dollar	2,630,680	2,601,651	5/18/05	29,029
				\$ (1,827,972)

Forward currency contracts to sell at January 31, 2005 (Unaudited)  
(aggregate face value \$168,340,763)

	Value	Aggregate face value	Delivery date	Unrealize appreciat (deprecia
--	-------	-------------------------	------------------	-------------------------------------

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Australian Dollar	\$8,826,611	\$8,729,039	4/20/05	\$(97,572)
British Pound	7,438,493	7,365,425	3/16/05	(73,068)
Canadian Dollar	22,752,945	23,519,098	4/20/05	766,153
Euro	78,448,230	80,064,917	3/16/05	1,616,687
Norwegian Krone	14,323,546	14,759,034	3/16/05	435,488
Swedish Krona	18,501,252	19,117,843	3/16/05	616,591
Swiss Franc	14,136,359	14,785,407	3/16/05	649,048

-----  
 \$3,913,327  
 -----

Futures contracts outstanding at January 31, 2005 (Unaudited)

	Value	Aggregate face value	Expiration date	Unrealize appreciat (deprecia
CBT Interest Rate Swap				
10 yr (Long)	\$2,565,219	\$2,551,765	Mar-05	\$13,454
Euro-Bobl 5 yr (Long)	18,638,286	18,581,212	Mar-05	57,074
Euro-Bund 10 yr (Long)	28,449,657	28,023,151	Mar-05	426,506
Liffe-Gilt (Long)	6,697,507	6,695,529	Mar-05	1,978
Japanese Government Bond 10 yr (Long)	9,444,992	9,353,229	Mar-05	91,763
Japanese Government Bond 10 yr-TSE (Long)	16,194,896	16,034,252	Mar-05	160,644
U.S. Treasury Note 10 yr (Long)	8,644,453	8,602,311	Mar-05	42,142
U.S. Treasury Note 30 yr (Long)	12,977,344	12,854,188	Mar-05	123,156
U.S. Treasury Note 5 yr (Short)	150,437,250	150,271,167	Mar-05	(166,083)

-----  
 \$750,634  
 -----

TBA sale commitments outstanding at January 31, 2005 (Unaudited)  
 (proceeds receivable \$17,492,938)

	Principal amount	Settlement date	Value
FHLMC 6 1/2s, February 1, 2035	\$9,200,000	2/10/05	\$9,644,900
FNMA 6 1/2s, February 1, 2035	7,500,000	2/10/05	7,848,040

-----  
 \$17,492,950  
 -----

Interest rate swap contracts outstanding at January 31, 2005 (Unaudited)

Notional amount	Termination date	Unrealize appreciat (deprecia
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Agreement with Merrill Lynch International & CO. C.V. dated January 25, 2005 to pay semi-annually the notional amount multiplied by 3.0425% and receive quarterly the notional amount multiplied by three month BA CDOR.	CAD 119,500,000	1/25/07	\$12,504
Agreement with Bank of America, N.A. dated March 25, 2004 to pay semi-annually the notional amount multiplied by 3.075% and receive quarterly the notional amount multiplied by the three month USD-LIBOR.	\$23,700,000	3/30/09	622,130
Agreement with Bank of America, N.A. dated January 22, 2004 to pay semi-annually the notional amount multiplied by 1.97375% and receive quarterly the notional amount multiplied by the three month USD-LIBOR.	17,400,000	1/26/06	217,572
Agreement with Bank of America, N.A. dated December 2, 2003 to pay semi-annually the notional amount multiplied by 2.444% and receive quarterly the notional amount multiplied by the three month USD-LIBOR.	8,912,000	12/5/05	54,630
Agreement with Bank of America, N.A. dated January 22, 2004 to pay semi-annually the notional amount multiplied by 4.35% and receive quarterly the notional amount multiplied by the three month USD-LIBOR.	5,500,000	1/27/14	35,727
Agreement with Credit Suisse First Boston International dated July 7, 2004 to pay semi-annually the notional amount multiplied by 4.945% and receive quarterly the notional amount multiplied by the three month USD-LIBOR.	8,099,800	7/9/14	(306,976)
Agreement with Credit Suisse First Boston International dated July 7, 2004 to receive semi-annually the notional amount multiplied by 2.931% and pay quarterly the notional amount multiplied by the three month USD-LIBOR.	7,174,500	7/9/06	(49,305)
Agreement with Lehman Brothers Special Financing, Inc. dated January 22, 2004 to pay semi-annually the notional amount multiplied by 1.955% and receive quarterly the notional amount multiplied by the three month USD-LIBOR-BBA.	17,400,000	1/26/06	219,704
Agreement with Lehman Brothers Special Financing, Inc. dated December 9, 2003 to receive semi-annually the notional amount multiplied by 4.641% and pay quarterly the notional amount multiplied by the three month USD-LIBOR-BBA.	12,964,000	12/15/13	235,204
Agreement with Lehman Brothers Special Financing, Inc. dated January 22, 2004 to pay semi-annually the notional amount multiplied by 4.3375% and receive quarterly the notional amount multiplied by the three month USD-LIBOR-BBA.	5,500,000	1/26/14	40,207

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<p>Agreement with Merrill Lynch Capital Services, Inc. dated September 27, 2002 to receive semi-annually the notional amount multiplied by the six month JPY-LIBOR-BBA and pay semi-annually the notional amount multiplied by 0.399%.</p>	JPY 3,417,000,000	10/1/07	(161,665)
<p>Agreement with Merrill Lynch Capital Services, Inc. dated November 17, 2000 to pay semi-annually the notional amount multiplied by the three month USD-LIBOR-BBA and receive the notional amount multiplied by 6.68%.</p>	\$9,000,000	11/21/05	324,514
			\$1,244,246

Credit default contracts outstanding at January 31, 2005 (Unaudited)

	Notional amount		Unrealize appreciat (deprecia
<p>Agreement with Citigroup effective January 6, 2005, maturing on December 20, 2009, to pay a premium based on the difference between the original spread on issue and the market spread on day of execution and pay quarterly 375 basis points times the notional amount . Upon a credit default event of a reference entity within CDX HY Series 3 Index, the fund receives a payment of the proportional notional amount times the difference between the pay value and the then-market value of the reference entity within the CDX HY Series 3 Index.</p>	\$7,000,000		\$(381,354)
<p>Agreement with JP Morgan effective January 14, 2005, maturing on December 20, 2009, to receive a premium based on the difference between the original spread on issue and the market spread on day of execution and pay quarterly 375 basis points time the notional amount. Upon a credit default event of a reference entity within CDX BB HY Series 3 Index, the fund receives a payment of the proportional notional amount times the difference between the par value and the then-market value of the reference entity within the CDX BB HY Series 3 Index.</p>	4,000,000		(176,250)
<p>Agreement with JP Morgan effective January 18, 2005, maturing on December 20, 2009, to receive a premium based on the difference between the original spread on issue and the market spread on day of execution and pay quarterly 375 basis points time the notional amount. Upon a credit default event of a reference entity within CDX BB HY Series 3 Index, the fund receives a payment of the proportional notional amount times the difference between the par value and the then-market value of the reference entity within the CDX BB HY Series 3 Index.</p>	4,000,000		(167,917)
<p>Agreement with Deutsche Bank AG effective January 6, 2005, maturing on December 20, 2009, to receive a premium based on the difference between the original spread on issue and the market spread on day of execution and pay quarterly 375 basis points time the notional amount. Upon a credit default event of a reference entity within CDX BB HY Series 3 Index, the fund receives a payment of the proportional notional amount times the difference between the par value and the then-market value of the</p>			

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<p>reference entity within the CDX BB HY Series 3 Index.</p>	<p>3,000,000 (145,903)</p>
<p>Agreement with JP Morgan effective January 10, 2005, maturing on December 20, 2009, to receive a premium based on the difference between the original spread on issue and the market spread on day of execution and pay quarterly 375 basis points time the notional amount. Upon a credit default event of a reference entity within CDX BB HY Series 3 Index, the fund receives a payment of the proportional notional amount times the difference between the par value and the then-market value of the reference entity within the CDX BB HY Series 3 Index.</p>	<p>3,000,000 (143,313)</p>
<p>Agreement with Goldman Sachs effective January 13, 2005, maturing on December 20, 2009, to receive a premium based on the difference between the original spread on issue and the market spread on day of execution and pay quarterly 375 basis points time the notional amount. Upon a credit default event of a reference entity within CDX BB HY Series 3 Index, the fund receives a payment of the proportional notional amount times the difference between the par value and the then-market value of the reference entity within the CDX BB HY Series 3 Index.</p>	<p>3,000,000 (140,312)</p>
<p>Agreement with UBS Securities effective January 14, 2005, maturing on December 20, 2009, to receive a premium based on the difference between the original spread on issue and the market spread on day of execution and pay quarterly 375 basis points time the notional amount. Upon a credit default event of a reference entity within CDX BB HY Series 3 Index, the fund receives a payment of the proportional notional amount times the difference between the par value and the then-market value of the reference entity within the CDX BB HY Series 3 Index.</p>	<p>3,000,000 (133,440)</p>
<p>Agreement with Lehman Brothers effective January 14, 2005, maturing on December 20, 2009, to receive a premium based on the difference between the original spread on issue and the market spread on day of execution and pay quarterly 375 basis points time the notional amount. Upon a credit default event of a reference entity within CDX BB HY Series 3 Index, the fund receives a payment of the proportional notional amount times the difference between the par value and the then-market value of the reference entity within the CDX BB HY Series 3 Index.</p>	<p>1,000,000 (44,478)</p>
<p>Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference standing notional amount times 2.35% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.</p>	<p>1,604,741 82,697</p>
<p>Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.55625% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.</p>	<p>1,604,741 50,441</p>
<p>Agreement with Goldman Sachs effective September 2, 2004,</p>	

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terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.4625% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.

802,370 38,453

Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.433% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.

601,778 27,287

Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.475% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.

401,185 16,913

Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.5% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.

200,593 13,193

Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.6% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.

200,593 2,071

-----  
\$ (1,101,912)  
-----

The accompanying notes are an integral part of these financial statements.

Statement of assets and liabilities  
January 31, 2005 (Unaudited)

Assets

Investment in securities, at value, including \$142,736 of securities on loan (Note 1):

Unaffiliated issuers (identified cost \$958,027,012) \$975,872,474

Affiliated issuers (identified cost \$128,556,834) (Note 4) 128,556,834

Cash 17,311,302



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Foreign currency (cost \$2,182,882) (Note 1)	2,198,515
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Interest and other receivables	13,520,506
<hr style="border-top: 1px dashed #000;"/>	
Receivable for securities sold	48,798,082
<hr style="border-top: 1px dashed #000;"/>	
Receivable for open swap contracts (Note 1)	1,762,192
<hr style="border-top: 1px dashed #000;"/>	
Receivable for open credit default contracts (Note 1)	231,055
<hr style="border-top: 1px dashed #000;"/>	
Receivable for variation margin (Note 1)	211,163
<hr style="border-top: 1px dashed #000;"/>	
Receivable for open forward currency contracts (Note 1)	4,312,861
<hr style="border-top: 1px dashed #000;"/>	
Receivable for closed forward currency contracts (Note 1)	2,229,119
<hr style="border-top: 1px dashed #000;"/>	
Total assets	1,195,004,103
Liabilities	
<hr style="border-top: 1px dashed #000;"/>	
Distributions payable to shareholders	5,497,338
<hr style="border-top: 1px dashed #000;"/>	
Payable for securities purchased	133,715,408
<hr style="border-top: 1px dashed #000;"/>	
Payable for compensation of Manager (Note 2)	1,728,214
<hr style="border-top: 1px dashed #000;"/>	
Payable for investor servicing and custodian fees (Note 2)	125,030
<hr style="border-top: 1px dashed #000;"/>	
Payable for Trustee compensation and expenses (Note 2)	104,730
<hr style="border-top: 1px dashed #000;"/>	
Payable for administrative services (Note 2)	5,101
<hr style="border-top: 1px dashed #000;"/>	
Payable for open forward currency contracts (Note 1)	2,227,506
<hr style="border-top: 1px dashed #000;"/>	
Payable for closed forward currency contracts (Note 1)	1,919,135
<hr style="border-top: 1px dashed #000;"/>	
Payable for open swap contracts (Note 1)	517,946
<hr style="border-top: 1px dashed #000;"/>	
Payable for open credit default contracts (Note 1)	1,332,967
<hr style="border-top: 1px dashed #000;"/>	
TBA sales commitments, at value (proceeds receivable \$17,492,938) (Note 1)	17,492,953
<hr style="border-top: 1px dashed #000;"/>	
Collateral on securities loaned, at value \$142,736 (Note 1)	148,891
<hr style="border-top: 1px dashed #000;"/>	
Other accrued expenses	175,165
<hr style="border-top: 1px dashed #000;"/>	
Total liabilities	164,990,384
<hr style="border-top: 1px dashed #000;"/>	
Net assets	\$1,030,013,719
Represented by	
<hr style="border-top: 1px dashed #000;"/>	
Paid-in capital (Unlimited shares authorized) (Note 1)	\$1,206,712,544
<hr style="border-top: 1px dashed #000;"/>	
Undistributed net investment income (Note 1)	9,022,827
<hr style="border-top: 1px dashed #000;"/>	
Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(206,598,610)
<hr style="border-top: 1px dashed #000;"/>	
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	20,876,958

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-----  
 Total -- Representing net assets applicable to capital  
 shares outstanding \$1,030,013,719

-----  
 Computation of net asset value  
 -----

Net asset value per share (\$1,030,013,719 divided by  
 141,198,870 shares) \$7.29

-----

The accompanying notes are an integral part of these financial statements.

Statement of operations  
 Six months ended January 31, 2005 (Unaudited)

Investment income:

-----  
 Interest (including interest income of \$1,232,497 from  
 investments in affiliated issuers) (Note 4) \$30,384,909

-----  
 Dividends 200,880

-----  
 Securities lending 1,837

-----  
 Total investment income 30,587,626

Expenses:

-----  
 Compensation of Manager (Notes 2 and 4) 3,555,042

-----  
 Investor servicing (Note 2) 255,136

-----  
 Custodian fees (Note 2) 175,451

-----  
 Trustee compensation and expenses (Note 2) 19,510

-----  
 Administrative services (Note 2) 22,532

-----  
 Other 388,306

-----  
 Fees waived and reimbursed by Manager (Note 4) (95,997)

-----  
 Total expenses 4,319,980

-----  
 Expense reduction (Note 2) (15,710)

-----  
 Net expenses 4,304,270

-----  
 Net investment income 26,283,356

-----  
 Net realized gain on investments (Notes 1 and 3) 10,977,792

-----  
 Net realized gain on swap contracts (Note 1) 498,330

-----  
 Net realized gain on credit default contracts (Note 1) 659,675

-----  
 Net realized gain on futures contracts (Note 1) 3,419,430

-----  
 Net realized gain on foreign currency transactions (Note 1) 49,867

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Net unrealized appreciation of assets and liabilities in foreign currencies during the period	1,676,296
<hr style="border-top: 1px dashed black;"/>	
Net unrealized appreciation of investments, futures contracts, swap contracts, credit default contracts and TBA sale commitments during the period	26,812,765
<hr style="border-top: 1px dashed black;"/>	
Net gain on investments	44,094,155
<hr style="border-top: 1px dashed black;"/>	
Net increase in net assets resulting from operations	\$70,377,511
<hr style="border-top: 1px dashed black;"/>	

The accompanying notes are an integral part of these financial statements.

### Statement of changes in net assets

	Six months ended January 31 2005*	Year ended July 31 2004
Increase in net assets		
<hr style="border-top: 1px dashed black;"/>		
Operations:		
<hr style="border-top: 1px dashed black;"/>		
Net investment income	\$26,283,356	\$61,479,944
<hr style="border-top: 1px dashed black;"/>		
Net realized gain on investments and foreign currency transactions	15,605,094	21,907,198
<hr style="border-top: 1px dashed black;"/>		
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	28,489,061	22,638,395
<hr style="border-top: 1px dashed black;"/>		
Net increase in net assets resulting from operations	70,377,511	106,025,537
<hr style="border-top: 1px dashed black;"/>		
Distributions to shareholders: (Note 1)		
<hr style="border-top: 1px dashed black;"/>		
From net investment income	(33,039,598)	(66,079,263)
<hr style="border-top: 1px dashed black;"/>		
Total increase in net assets	37,337,913	39,946,274
<hr style="border-top: 1px dashed black;"/>		
Net assets		
<hr style="border-top: 1px dashed black;"/>		
Beginning of period	992,675,806	952,729,532
<hr style="border-top: 1px dashed black;"/>		
End of period (including undistributed net investment income of \$9,022,827 and \$15,779,069, respectively)	\$1,030,013,719	\$992,675,806
<hr style="border-top: 1px dashed black;"/>		
Number of fund shares		
<hr style="border-top: 1px dashed black;"/>		
Shares outstanding at beginning and end of period	141,198,870	141,198,870
<hr style="border-top: 1px dashed black;"/>		

\* Unaudited

The accompanying notes are an integral part of these financial statements.

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Financial highlights

(For a common share outstanding throughout the period)

Per-share operating performance	Six months ended January 31 (Unaudited) 2005	2004	2003	Year ended 2002
Net asset value, beginning of period	\$7.03	\$6.75	\$6.22	\$6.68
Investment operations:				
Net investment income (a)	.19 (e)	.44 (e)	.51	.55
Net realized and unrealized gain (loss) on investments	.30	.31	.54	(.47)
Total from investment operations	.49	.75	1.05	.08
Less distributions:				
From net investment income	(.23)	(.47)	(.52)	(.53)
From return of capital	--	--	--	(.01)
Total distributions	(.23)	(.47)	(.52)	(.54)
Net asset value, end of period	\$7.29	\$7.03	\$6.75	\$6.22
Market price, end of period	\$6.65	\$6.29	\$6.31	\$6.03
Total return at market price (%) (b)	9.53*	7.18	13.41	4.44
Ratios and supplemental data				
Net assets, end of period (in thousands)	\$1,030,014	\$992,676	\$952,730	\$877,649
Ratio of expenses to average net assets (%) (c)	.42 (e) *	.83 (e)	.85	.86
Ratio of net investment income to average net assets (%)	2.58 (e) *	6.19 (e)	7.91	8.39
Portfolio turnover (%)	122.20*	78.43	96.21 (d)	175.78

\* Not annualized.

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- (a) Per share net investment income has been determined on the basis of the weighted average number of shares outstanding during the period.
- (b) Total return assumes dividend reinvestment.
- (c) Includes amounts paid through expense offset arrangements (Note 2).
- (d) Portfolio turnover excludes certain treasury note transactions executed in connection with a
- (e) Reflects waivers of certain fund expenses in connection with Putnam Prime Money Market Fund of such waivers, the expenses of the fund for the periods ended January 31, 2005 and July 31, less than 0.01% of average net assets (Note 4).

The accompanying notes are an integral part of these financial statements.

Notes to financial statements  
January 31, 2005 (Unaudited)

Note 1  
Significant accounting policies

Putnam Premier Income Trust (the "fund"), a Massachusetts business trust, is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end management investment company. The fund's investment objective is to seek high current income consistent with the preservation of capital by allocating its investments among the U.S. government sector, high yield sector and international sector of the fixed-income securities market. The fund invests in higher yielding, lower-rated bonds that have a higher rate of default due to the nature of the investments.

The following is a summary of significant accounting policies consistently followed by the fund in the preparation of its financial statements. The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

A) Security valuation Investments for which market quotations are readily available are valued at the last reported sales price on their principal exchange, or official closing price for certain markets. If no sales are reported -- as in the case of some securities traded over-the-counter -- a security is valued at its last reported bid price. Market quotations are not considered to be readily available for certain debt obligations; such investments are valued at fair value on the basis of valuations furnished by an independent pricing service or dealers, approved by the Trustees. Such services or dealers determine valuations for normal institutional-size trading units of such securities using methods based on market transactions for comparable securities and various relationships, generally recognized by institutional traders, between securities. Many securities markets and exchanges outside the U.S. close prior to the close of the New York Stock Exchange and therefore the closing prices for securities in such markets or on such

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exchanges may not fully reflect events that occur after such close but before the close of the New York Stock Exchange. Accordingly, on certain days, the fund will fair value foreign securities taking into account multiple factors, including movements in the U.S. securities markets. The number of days on which fair value prices will be used will depend on market activity and it is possible that fair value prices will be used by the fund to a significant extent. Securities quoted in foreign currencies are translated into U.S. dollars at the current exchange rate. Short-term investments having remaining maturities of 60 days or less are valued at amortized cost, which approximates fair value. Other investments, including certain restricted securities, are valued at fair value following procedures approved by the Trustees. Such valuations and procedures are reviewed periodically by the Trustees.

B) Joint trading account Pursuant to an exemptive order from the Securities and Exchange Commission ("SEC"), the fund may transfer uninvested cash balances, including cash collateral received under security lending arrangements, into a joint trading account along with the cash of other registered investment companies and certain other accounts managed by Putnam Investment Management, LLC ("Putnam Management"), the fund's manager, an indirect wholly-owned subsidiary of Putnam, LLC. These balances may be invested in issues of high-grade short-term investments having maturities of up to 397 days for collateral received under security lending arrangements and up to 90 days for other cash investments.

C) Security transactions and related investment income Security transactions are recorded on the trade date (date the order to buy or sell is executed). Gains or losses on securities sold are determined on the identified cost basis.

Interest income is recorded on the accrual basis. Dividend income, net of applicable withholding taxes, is recognized on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the fund is informed of the ex-dividend date. Non-cash dividends, if any, are recorded at the fair market value of the securities received. All premiums/discounts are amortized /accreted on a yield-to-maturity basis. The fund earned certain fees in connection with its senior loan purchasing activities. These fees are treated as market discount and are recorded as income in the statement of operations.

D) Foreign currency translation The accounting records of the fund are maintained in U.S. dollars. The market value of foreign securities, currency holdings, and other assets and liabilities are recorded in the books and records of the fund after translation to U.S. dollars based on the exchange rates on that day. The cost of each security is determined using historical exchange rates. Income and withholding taxes are translated at prevailing exchange rates when earned or incurred. The fund does not isolate that portion of realized or unrealized gains or losses resulting from changes in the foreign exchange rate on investments from fluctuations arising from changes in the market prices of the securities. Such gains and losses are included with the net realized and unrealized gain or loss on investments. Net realized gains and losses on foreign currency transactions represent net realized exchange gains or losses on closed forward currency contracts, disposition of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions and the difference between the amount of investment income and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized appreciation and depreciation of assets and liabilities in foreign currencies arise from changes in the value of open forward currency

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contracts and assets and liabilities other than investments at the period end, resulting from changes in the exchange rate. Investments in foreign securities involve certain risks, including those related to economic instability, unfavorable political developments, and currency fluctuations, not present with domestic investments.

E) Forward currency contracts The fund may buy and sell forward currency contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These contracts are used to protect against a decline in value relative to the U.S. dollar of the currencies in which its portfolio securities are denominated or quoted (or an increase in the value of a currency in which securities a fund intends to buy are denominated, when a fund holds cash reserves and short term investments). The U.S. dollar value of forward currency contracts is determined using current forward currency exchange rates supplied by a quotation service. The market value of the contract will fluctuate with changes in currency exchange rates. The contract is marked to market daily and the change in market value is recorded as an unrealized gain or loss. When the contract is closed, the fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The fund could be exposed to risk if the value of the currency changes unfavorably, if the counterparties to the contracts are unable to meet the terms of their contracts or if the fund is unable to enter into a closing position. Risks may exceed amounts recognized on the statement of assets and liabilities. Forward currency contracts outstanding at period end, if any, are listed after the fund's portfolio.

F) Futures and options contracts The fund may use futures and options contracts to hedge against changes in the values of securities the fund owns or expects to purchase. The fund may also write options on securities it owns or in which it may invest to increase its current returns.

The potential risk to the fund is that the change in value of futures and options contracts may not correspond to the change in value of the hedged instruments. In addition, losses may arise from changes in the value of the underlying instruments, if there is an illiquid secondary market for the contracts, or if the counterparty to the contract is unable to perform. Risks may exceed amounts recognized on the statement of assets and liabilities. When the contract is closed, the fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. Realized gains and losses on purchased options are included in realized gains and losses on investment securities. If a written call option is exercised, the premium originally received is recorded as an addition to sales proceeds. If a written put option is exercised, the premium originally received is recorded as a reduction to the cost of investments.

Futures contracts are valued at the quoted daily settlement prices established by the exchange on which they trade. The fund and the broker agree to exchange an amount of cash equal to the daily fluctuation in the value of the futures contract. Such receipts or payments are known as "variation margin." Exchange traded options are valued at the last sale price, or if no sales are reported, the last bid price for purchased options and the last ask price for written options. Options traded over-the-counter are valued using prices supplied by dealers. Futures and written option contracts outstanding at period end, if any, are listed after the fund's portfolio.

G) Interest rate swap contracts The fund may enter into interest rate

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swap contracts, which are arrangements between two parties to exchange cash flows based on a notional principal amount, to manage the fund's exposure to interest rates. Interest rate swap contracts are marked to market daily based upon quotations from market makers and the change, if any, is recorded as unrealized gain or loss. Payments received or made are recorded as realized gains or loss. The fund could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or if the counterparty defaults on its obligation to perform. Risk of loss may exceed amounts recognized on the statement of assets and liabilities. Interest rate swap contracts outstanding at period end, if any, are listed after the fund's portfolio.

H) Credit default contracts The fund may enter into credit default contracts where one party, the protection buyer, makes an upfront or periodic payment to a counter party, the protection seller, in exchange for the right to receive a contingent payment. The maximum amount of the payment may equal the notional amount, at par, of the underlying index or security as a result of a related credit event. An upfront payment received by the fund, as the protection seller, is recorded as a liability on the fund's books. An upfront payment made by the fund, as the protection buyer, is recorded as an asset on the fund's books. Periodic payments received or paid by the fund are recorded as realized gains or losses. The credit default contracts are marked to market daily based upon quotations from market makers and the change, if any, is recorded as unrealized gain or loss. Payments received or made as a result of a credit event or termination of the contract are recognized, net of a proportional amount of the upfront payment, as realized gains or losses. In addition to bearing the risk that the credit event will occur, the fund could be exposed to market risk due to unfavorable changes in interest rates or in the price of the underlying security or index, the possibility that the fund may be unable to close out its position at the same time or at the same price as if it had purchased comparable publicly traded securities or that the counterparty may default on its obligation to perform. Risks of loss may exceed amounts recognized on the statement of assets and liabilities. Credit default contracts outstanding at period end, if any, are listed after the fund's portfolio.

I) TBA purchase commitments The fund may enter into "TBA" (to be announced) commitments to purchase securities for a fixed unit price at a future date beyond customary settlement time. Although the unit price has been established, the principal value has not been finalized. However, the amount of the commitments will not significantly differ from the principal amount. The fund holds, and maintains until settlement date, cash or high-grade debt obligations in an amount sufficient to meet the purchase price, or the fund may enter into offsetting contracts for the forward sale of other securities it owns. Income on the securities will not be earned until settlement date. TBA purchase commitments may be considered securities themselves, and involve a risk of loss if the value of the security to be purchased declines prior to the settlement date, which risk is in addition to the risk of decline in the value of the fund's other assets. Unsettled TBA purchase commitments are valued at fair value of the underlying securities, according to the procedures described under "Security valuation" above. The contract is "marked-to-market" daily and the change in market value is recorded by the fund as an unrealized gain or loss.

Although the fund will generally enter into TBA purchase commitments with the intention of acquiring securities for its portfolio or for delivery pursuant to options contracts it has entered into, the fund may dispose of a commitment prior to settlement if Putnam Management deems it appropriate to do so.



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J) TBA sale commitments The fund may enter into TBA sale commitments to hedge its portfolio positions or to sell mortgage-backed securities it owns under delayed delivery arrangements. Proceeds of TBA sale commitments are not received until the contractual settlement date. During the time a TBA sale commitment is outstanding, equivalent deliverable securities or an offsetting TBA purchase commitment deliverable on or before the sale commitment date, are held as "cover" for the transaction.

Unsettled TBA sale commitments are valued at fair value of the underlying securities, generally according to the procedures described under "Security valuation" above. The contract is "marked-to-market" daily and the change in market value is recorded by the fund as an unrealized gain or loss. If the TBA sale commitment is closed through the acquisition of an offsetting purchase commitment, the fund realizes a gain or loss. If the fund delivers securities under the commitment, the fund realizes a gain or a loss from the sale of the securities based upon the unit price established at the date the commitment was entered into. TBA sale commitments outstanding at period end, if any, are listed after the fund's portfolio.

K) Security lending The fund may lend securities, through its agents, to qualified borrowers in order to earn additional income. The loans are collateralized by cash and/or securities in an amount at least equal to the market value of the securities loaned. The market value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. The risk of borrower default will be borne by the fund's agents; the fund will bear the risk of loss with respect to the investment of the cash collateral. Income from securities lending is included in investment income on the statement of operations. At January 31, 2005, the value of securities loaned amounted to \$142,736. The fund received cash collateral of \$148,891 which is pooled with collateral of other Putnam funds into 25 issuers of high grade short-term investments.

L) Federal taxes It is the policy of the fund to distribute all of its taxable income within the prescribed time and otherwise comply with the provisions of the Internal Revenue Code of 1986 (the "Code") applicable to regulated investment companies. It is also the intention of the fund to distribute an amount sufficient to avoid imposition of any excise tax under Section 4982 of the Code, as amended. Therefore, no provision has been made for federal taxes on income, capital gains or unrealized appreciation on securities held nor for excise tax on income and capital gains.

At July 31, 2004, the fund had a capital loss carryover of \$221,029,478 available to the extent allowed by the Code to offset future net capital gain, if any. The amount of the carryover and the expiration dates are:

Loss Carryover	Expiration
\$26,204,240	July 31, 2007
44,857,570	July 31, 2008
24,930,247	July 31, 2009
44,917,486	July 31, 2010
80,119,935	July 31, 2011

The aggregate identified cost on a tax basis is \$1,088,282,090, resulting in gross unrealized appreciation and depreciation of \$56,574,185 and \$40,426,967, respectively, or net unrealized appreciation of \$16,147,218.

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M) Distributions to shareholders Distributions to shareholders from net investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Reclassifications are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations.

### Note 2

Management fee, administrative services and other transactions

Putnam Management is paid for management and investment advisory services quarterly based on the average net assets of the fund. Such fee is based on the following annual rates: 0.75% of the first \$500 million of average weekly net assets, 0.65% of the next \$500 million, 0.60% of the next \$500 million and 0.55% thereafter.

Effective September 13, 2004, Putnam Investments Limited ("PIL"), an affiliate of Putnam Management, is authorized by the Trustees to manage a separate portion of the assets of the fund as determined by Putnam Management from time to time. Putnam Management pays a quarterly sub-management fee to PIL for its services at an annual rate 0.40% of the average net assets of the portion of the fund managed by PIL.

The fund reimburses Putnam Management an allocated amount for the compensation and related expenses of certain officers of the fund and their staff who provide administrative services to the fund. The aggregate amount of all such reimbursements is determined annually by the Trustees.

Custodial functions for the fund's assets are provided by Putnam Fiduciary Trust Company ("PFTC"), a subsidiary of Putnam, LLC. Putnam Investor Services, a division of PFTC, provides investor servicing agent functions to the fund. During the six months ended January 31, 2005, the fund paid PFTC \$430,587 for these services.

The fund has entered into an arrangement with PFTC whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the fund's expenses. For the six months ended January 31, 2005, the fund's expenses were reduced by \$15,710 under these arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$1,940, as a quarterly retainer, has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees receive additional fees for attendance at certain committee meetings.

The fund has adopted a Trustee Fee Deferral Plan (the "Deferral Plan") which allows the Trustees to defer the receipt of all or a portion of Trustees fees payable on or after July 1, 1995. The deferred fees remain invested in certain Putnam funds until distribution in accordance with the Deferral Plan.

The fund has adopted an unfunded noncontributory defined benefit pension plan (the "Pension Plan") covering all Trustees of the fund who have served as a Trustee for at least five years. Benefits under the Pension Plan are equal to 50% of the Trustee's average total retainer and

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meeting fees for the three years preceding retirement. Pension expense for the fund is included in Trustee compensation and expenses in the statement of operations. Accrued pension liability is included in Payable for Trustee compensation and expenses in the statement of assets and liabilities. The Trustees have terminated the Pension Plan with respect to any Trustee first elected after 2003.

### Note 3

#### Purchases and sales of securities

During the six months ended January 31, 2005, purchases and proceeds from sales of investment securities other than U.S. government securities and short-term investments aggregated \$1,070,017,708 and \$1,075,493,879, respectively. Purchases and sales of U.S. government securities aggregated no monies and \$9,566,797, respectively.

### Note 4

#### Investment in Putnam Prime Money Market Fund

Pursuant to an exemptive order from the SEC, the fund invests in Putnam Prime Money Market Fund, an open-end management investment company managed by Putnam Management. Management fees paid by the fund are reduced by an amount equal to the management fees paid by Putnam Prime Money Market Fund with respect to assets invested by the fund in Putnam Prime Money Market Fund. For the period ended January 31, 2005, management fees paid were reduced by \$95,997 relating to the fund's investment in Putnam Prime Money Market Fund. Income distributions earned by the fund are recorded as income in the statement of operations and totaled \$1,232,497 for the period ended January 31, 2005.

### Note 5

#### Senior loan commitments

Senior loans are purchased or sold on a when-issued or delayed delivery basis and may be settled a month or more after the trade date; interest income is accrued based on the terms of the securities. Senior loans can be acquired through an agent, by assignment from another holder of the loan, or as a participation interest in another holder's portion of the loan. When the fund invests in a loan or participation, the fund is subject to the risk that an intermediate participant between the fund and the borrower will fail to meet its obligations to the fund, in addition to the risk that the borrower under the loan may default on its obligations.

### Note 6

#### Merger of Putnam Master Income Trust into the fund

On February 25, 2005 Putnam Master Income Trust transferred of all of its assets into the fund in exchange for the shares of the fund and the assumption by the fund of all of the liabilities of Putnam Master Income Trust.

### Note 7

#### Regulatory matters and litigation

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Putnam Management has entered into agreements with the Securities and Exchange Commission and the Massachusetts Securities Division settling charges connected with excessive short-term trading by Putnam employees and, in the case of the charges brought by the Massachusetts Securities Division, by participants in some Putnam-administered 401(k) plans. Pursuant to these settlement agreements, Putnam Management will pay a total of \$193.5 million in penalties and restitution, with \$153.5 million being paid to shareholders and the funds. The restitution amount will be allocated to shareholders pursuant to a plan developed by an independent consultant, with payments to shareholders currently expected by the end of the summer.

The SEC's and Massachusetts Securities Division's allegations and related matters also serve as the general basis for numerous lawsuits, including purported class action lawsuits filed against Putnam Management and certain related parties, including certain Putnam funds. Putnam Management will bear any costs incurred by Putnam funds in connection with these lawsuits. Putnam Management believes that the likelihood that the pending private lawsuits and purported class action lawsuits will have a material adverse financial impact on the fund is remote, and the pending actions are not likely to materially affect its ability to provide investment management services to its clients, including the Putnam funds.

Results of January 13, 2005  
shareholder meeting  
(Unaudited)

A special meeting of shareholders of the fund was held on January 13, 2005. At the meeting, the following proposal was approved:

Approving an Agreement and Plan of Reorganization and the transactions contemplated thereby, including the transfer of all of the assets of Putnam Master Income Trust to Putnam Premier Income Trust in exchange for the issuance and delivery of shares of beneficial interest of Putnam Premier Income Trust and the assumption by Putnam Premier Income Trust of the liabilities of Putnam Master Income Trust, and the distribution of such shares to the shareholders of Putnam Master income Trust in complete liquidation of Putnam Master Income Trust.

Votes For	Votes Against	Abstentions
67,764,834	4,292,013	3,413,230

Fund information

About Putnam Investments

One of the largest mutual fund families in the United States, Putnam Investments has a heritage of investment leadership dating back to Judge Samuel Putnam, whose Prudent Man Rule has defined fiduciary tradition and practice since 1830. Founded over 65 years ago, Putnam Investments was built around the concept that a balance between risk and reward is the hallmark of a well-rounded financial program. We presently manage over 100 mutual funds in growth, value, blend, fixed income, and international.

Investment Manager

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Putnam Investment Management, LLC  
One Post Office Square  
Boston, MA 02109

Investment Sub-Manager

Putnam Investments Limited  
57-59 St. James Street  
London, England SW1A 1LD

Marketing Services

Putnam Retail Management  
One Post Office Square  
Boston, MA 02109

Custodian

Putnam Fiduciary  
Trust Company

Legal Counsel

Ropes & Gray LLP

Trustees

John A. Hill, Chairman  
Jameson Adkins Baxter  
Charles B. Curtis  
Myra R. Drucker  
Charles E. Haldeman, Jr.  
Ronald J. Jackson  
Paul L. Joskow  
Elizabeth T. Kennan  
John H. Mullin, III  
Robert E. Patterson  
George Putnam, III  
W. Thomas Stephens  
Richard B. Worley

Officers

George Putnam, III  
President

Charles E. Porter  
Executive Vice President,  
Associate Treasurer and  
Principal Executive Officer

Jonathan S. Horwitz  
Senior Vice President  
and Treasurer

Steven D. Krichmar  
Vice President and  
Principal Financial Officer

Michael T. Healy  
Assistant Treasurer and

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Principal Accounting Officer

Daniel T. Gallagher  
Vice President and Legal and  
Compliance Liaison Officer

Beth S. Mazor  
Vice President

James P. Pappas  
Vice President

Richard S. Robie, III  
Vice President

Mark C. Trenchard  
Vice President and  
BSA Compliance Officer

Francis J. McNamara, III  
Vice President and  
Chief Legal Officer

Charles A. Ruys de Perez  
Vice President and  
Chief Compliance Officer

Judith Cohen  
Clerk and Assistant Treasurer

Call 1-800-225-1581 weekdays from 9 a.m. to 5 p.m. Eastern Time, or  
visit our Web site ([www.putnaminvestments.com](http://www.putnaminvestments.com)) any time for up-to-date  
information about the fund's NAV.

[LOGO OMITTED]

PUTNAM INVESTMENTS

The Putnam Funds  
One Post Office Square  
Boston, Massachusetts 02109

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220213 3/05

Item 2. Code of Ethics:

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Not applicable

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Item 3. Audit Committee Financial Expert:

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Not applicable

Item 4. Principal Accountant Fees and Services:

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Not applicable

Item 5. Audit Committee: Not applicable

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Item 6. Schedule of Investments: Not applicable

Item 7. Disclosure of Proxy Voting Policies and Procedures For Closed-End

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Management Investment Companies: Not applicable  
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Item 8. Purchases of Equity Securities by Closed-End Management Investment

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Companies and Affiliated Purchasers: Not applicable  
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Item 9. Submission of Matters to a Vote of Security Holders:

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Not applicable

Item 10. Controls and Procedures:

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(a) The registrant's principal executive officer and principal financial officer have concluded, based on their evaluation of the effectiveness of the design and operation of the registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report, that the design and operation of such procedures are generally effective to provide reasonable assurance that information required to be disclosed by the registrant in this report is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

(b) Changes in internal control over financial reporting:

Not applicable

Item 11. Exhibits:

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(a) Not applicable

(b) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2 under the Investment Company Act of 1940, as amended, and the officer certifications as required by Section 906 of the Sarbanes-Oxley Act of 2002 are filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

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NAME OF REGISTRANT

By (Signature and Title):                    /s/Michael T. Healy  
-----  
Michael T. Healy  
Principal Accounting Officer

Date: March 28, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title):                    /s/Charles E. Porter  
-----  
Charles E. Porter  
Principal Executive Officer

Date: March 28, 2005

By (Signature and Title):                    /s/Steven D. Krichmar  
-----  
Steven D. Krichmar  
Principal Financial Officer

Date: March 28, 2005