

PUTNAM MASTER INTERMEDIATE INCOME TRUST  
Form N-CSR  
November 29, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: (811-05498)

Exact name of registrant as specified in charter: **Putnam Master Intermediate Income Trust**

Address of principal executive offices: One Post Office Square, Boston, Massachusetts 02109

Name and address of agent for service: Beth S. Mazor, Vice President

One Post Office Square

Boston, Massachusetts 02109

Copy to: John W. Gerstmayr, Esq.

Ropes & Gray LLP

800 Boylston Street

Boston, Massachusetts 02199-3600

Registrant's telephone number, including area code: (617) 292-1000

Date of fiscal year end: September 30, 2011

Date of reporting period: October 1, 2010 — September 30, 2011

Item 1. Report to Stockholders:

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

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# **Putnam Master Intermediate Income Trust**

**Annual report  
9 | 30 | 11**

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## Message from the Trustees

Dear Fellow Shareholder:

Markets have reflected a heightened state of investor anxiety in recent weeks and months. The deepening European sovereign debt crisis, the potential for an economic slowdown in the United States, and the deceleration of growth by economic powerhouse China have all diminished investors' appetite for risk.

While volatility may linger for some time, it is important to note that Putnam's active portfolio managers continue to pursue investment opportunities around the world. In fact, during times when emotion drives market movements, nimble investors have historically had the best opportunities to take advantage of market inefficiencies.

We believe that in volatile markets, it is important to consult your financial advisor to help determine whether your portfolio reflects an appropriate degree of diversification. We also note that Putnam continues to bolster its lineup of funds that seek to limit volatility or guard against downside risk.

We would like to thank John A. Hill, who has served as Chairman of the Trustees since 2000 and who continues on as a Trustee, for his service. We are pleased to announce that Jameson A. Baxter is the new Chair, having served as Vice Chair since 2005 and a Trustee since 1994. Ms. Baxter is President of Baxter Associates, Inc., a private investment firm, and Chair of the Mutual Fund Directors Forum. In addition, she serves as Chair Emeritus of the Board of Trustees of Mount Holyoke College, Director of the Adirondack Land Trust, and Trustee of the Nature Conservancy's Adirondack Chapter.

Lastly, we would like to take this opportunity to welcome new shareholders to the fund and to thank all of our investors for your continued confidence in Putnam.

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## About the fund

### Seeking broad diversification across bond markets

When Putnam Master Intermediate Income Trust was launched in 1988, its three-pronged focus on U.S. investment-grade bonds, high-yield corporate bonds, and non-U.S. bonds was considered innovative. Lower-rated, higher-yielding corporate bonds were relatively new, having just been established in the late 1970s. In addition, at the time of the fund's launch, few investors were venturing outside the United States for fixed-income opportunities.

In the two decades since then, the bond investment landscape has undergone a transformation. New sectors such as mortgage- and asset-backed securities now make up a sizable portion of the U.S. investment-grade market. The high-yield corporate bond sector has also grown significantly. Outside the United States, the introduction of the euro fostered the development of a large market of European government bonds. There are also growing opportunities to invest in the debt of emerging-market countries.

The fund's multi-strategy approach is well suited to the expanding opportunities in today's global bond marketplace. To respond to the market's increasing complexity, Putnam's fixed-income group aligns teams of specialists with varied investment opportunities. Working with these teams, the fund managers strive to build a diversified portfolio that carefully balances risk and return.

As different factors drive the performance of the various bond market sectors, the managers use the fund's flexible strategy to seek opportunities for investors.

**Consider these risks before investing:** 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. Lower-rated bonds may offer higher yields in return for more risk. Funds that invest in government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk. The use of derivatives involves additional risks, such as the potential inability to terminate or sell derivatives positions and the potential failure of the other party to the instrument to meet its obligations. 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. The fund's shares trade on a stock exchange at market prices, which may be lower than the fund's net asset value.

#### **How do closed-end funds differ from open-end funds?**

**More assets at work** While open-end funds need to maintain a cash position to meet redemptions, closed-end funds are not subject to redemptions and can keep more of their assets invested in the market.

**Traded like stocks** Closed-end fund shares are traded on stock exchanges, and their market prices fluctuate in response to supply and demand, among other factors.

**Net asset value vs. market price** Like an open-end fund's net asset value (NAV) per share, the NAV of a closed-end fund share is equal to the current value of the fund's assets, minus its liabilities, divided by the number of shares outstanding. However, when buying or selling closed-end fund shares, the price you pay or receive is the market price. Market price reflects current market supply and demand, and may be higher or lower than the NAV.

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*Data are historical. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return and net asset value 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 returns in the bar chart are at NAV. See pages 5 and 11-12 for additional performance information, including fund returns at market price. Index and Lipper results should be compared with fund performance at NAV. Lipper calculates performance differently than the closed-end funds it ranks, due to varying methods for determining a fund's monthly reinvestment NAV.*

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## **Interview with your fund's portfolio manager**

### **D. William Kohli**

#### **What was the investment environment like during the fund's fiscal year ended September 30, 2011?**

The past 12 months consisted of two starkly different investment environments. From October to April, so-called "risk assets," such as stocks, corporate bonds, and emerging-market debt, posted solid gains. In part, this rally was

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spurred by the Federal Reserve's [the Fed's] announcement in November of a second round of quantitative easing, dubbed "QE2." Under the program, the Fed committed to purchase an additional \$600 billion of Treasury bonds by the end of June 2011. Investors had widely anticipated the Fed's announcement, and Treasury rates jumped higher in the fourth quarter of 2010 and early months of 2011 as investors reallocated to other asset classes.

In early summer, however, this upward trend stalled as investors tried to gauge the implications of the disasters in Japan and the subsequent supply-chain disruptions, as well as some weaker-than-expected economic data in the United States. A series of negative headlines followed, including the threat of political impasse surrounding attempts to raise the federal debt ceiling, Standard & Poor's [S&P's] downgrade of U.S. Treasury debt, and continued challenges in the European sovereign debt negotiations. The result was a significant sell-off in the third quarter of 2011, which was the worst for a range of risk assets since the financial crisis unraveled markets in 2008.

**As you mentioned, Standard & Poor's cut its AAA rating of U.S. Treasury debt in August, yet Treasuries were one of the better-performing sectors during the period. How did that affect the fund's performance?**

As has been the case for some time, the fund was positioned so that it was not dependent

This comparison shows your fund's performance in the context of broad market indexes for the 12 months ended 9/30/11. See pages 4 and 11–12 for additional fund performance information. Index descriptions can be found on page 13.

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on declining interest rates to drive returns. The S&P downgrade, in many ways, reinforced investors' perception that financial markets across the board were deteriorating, and sparked a flight to what many believe remains the safest asset available: U.S. Treasuries. The fund had no direct exposure to Treasury bonds, and had low or negative duration — or interest-rate exposure — for most of the quarter, so the rally in Treasuries detracted from the fund's relative performance. That said, we have not changed our view on how attractive Treasuries are. We believe the risk of higher interest rates far outweighs the potential benefits derived from owning Treasuries offering yields at or near historic lows.

**What detracted from the fund's performance relative to its benchmark?**

The lack of exposure to Treasuries was one of the biggest detractors from relative performance. The fund's positions in so-called "spread sectors" — those sectors that generally offer higher yields than U.S. Treasuries — produced flat to slightly negative returns over the trailing 12 months due entirely to the severity of the third-quarter downturn.

From a sector standpoint, our overweight position in high-yield bonds detracted from

Credit qualities are shown as a percentage of net assets as of 9/30/11. A bond rated Baa or higher (Prime-3 or higher, for short-term debt) is considered investment grade. The chart reflects Moody's ratings; percentages may include bonds or derivatives not rated by Moody's but rated by Standard & Poor's or, if unrated by S&P, by Fitch, and then included in the closest equivalent Moody's rating. Ratings will vary over time.

Credit quality includes bonds and represents only the fixed-income portion of the portfolio. Derivative instruments, including currency forwards, are only included to the extent of any unrealized gain or loss on such instruments and are shown in the not-rated category. The fund itself has not been rated by an independent rating agency.

A negative percentage reflects the effect of fund strategies that are designed to enhance performance if certain securities decline in value.

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relative returns. Spreads — which reflect the difference in yields between a bond and a similarly dated Treasury — widened significantly for high-yield debt during the third quarter as investors reduced their risk exposure.

Our allocation to non-agency residential mortgage-backed securities [RMBS] and interest-only collateralized mortgage obligations [CMO IOs] also detracted. While both types of securities are derived from pools of mortgages, RMBS are generally sensitive to credit, or default, risks, while CMO IOs are more sensitive to changes in prepayment rates. Although the fundamentals underpinning the RMBS market were fairly stable over the period, investors lost their appetite for credit risk in the third quarter, and RMBS, like high-yield bonds, sold off. Meanwhile, there was some speculation over the period that the federal government was weighing the introduction of new initiatives to help homeowners refinance their mortgages. Shortly after the end of the reporting period, the Federal Housing Finance Authority announced modifications to the existing Home Affordable Refinance Program (HARP) by allowing certain “underwater” borrowers who are current on their payments to refinance their loans at market rates. IO spreads widened sharply in the weeks leading up to the announcement, and our CMO IO position detracted from relative performance. I should note that in implementing our CMO IO strategy, we used interest-rate swaps and options to hedge the fund’s duration — or

This table shows the fund’s top three individual holdings across three key sectors and the percentage of the fund’s net assets that each represented as of 9/30/11. Short-term holdings and TBAs are excluded. Holdings will vary over time.

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sensitivity to interest-rate changes — to isolate the prepayment risks associated with the securities, which we believed offered attractive return potential.

All three of these sectors — high yield, RMBS, and CMO IOs — remain significant allocations for the fund, and we believe fundamentally they continue to be quite attractive. Valuations on high-yield bonds are currently indicative of an imminent severe recession, a scenario we find unlikely. Default rates in high-yield bonds remain extremely low by historical measures and corporate earnings continued to show signs of strength, both of which are positive signals for the sector. In the RMBS space, the securities we hold in the fund generally are less sensitive to interest-rate changes and offer cash flows at the top of the capital structure. While short-term volatility has pressured the sector, we continue to believe the longer-term return potential for these securities is compelling, and not necessarily reliant on an improving housing market. Even given an uptick in prepayments, from a fundamental point of view, IO cash flows remain extremely attractive in the context of what remain historically low prepayment rates and continued housing market weakness, and we remain optimistic on the longer-term potential for the sector.

#### **How is the fund positioned in international markets?**

With the prospect of a Greek default a distinct possibility and the fallout difficult to predict, we continue to have little to no exposure to European sovereign debt within the portfolio. The bigger question, in our minds, is whether emerging markets can continue to perform in the face of a loss of investors’ risk appetites. While the long-term fundamental outlook for emerging markets remains attractive, developing debt markets — especially those of small and open economies — are highly sensitive to capital flows. Any acceleration in outflows could lead to losses in what has been one of the best-performing asset classes over the past decade. We continue to be highly selective in our positioning within emerging-market debt and currencies, and currently are maintaining a defensive stance.

We believe that over the next few months, recent rallies in more volatile currencies could reverse course, leading to a continued appreciation in the U.S. dollar, particularly versus

This chart shows how the fund's top weightings have changed over the past six months. Weightings are shown as a percentage of net assets. Summary information may differ from the portfolio schedule included in the financial statements due to the inclusion of derivative securities and the exclusion of as-of trades, if any, and the use of different classifications of securities for presentation purposes. Holdings will vary over time.

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emerging Asian market currencies. Given the ongoing challenges facing developed Europe and recent moves to begin recapitalizing European banks, we have maintained an underweight position in the euro.

Throughout the period, we took tactical positions designed to benefit from a flattening yield curve. As a reminder, the yield curve is a graphical representation of how the yields of bonds of various maturities compare. Usually, bonds with longer maturities offer higher yields than short-term bonds. This is true today, but the difference between the short and the long end of the curve is greater than is typical. For more than two years, the Fed has kept the short end of the curve anchored around zero after it cut the benchmark for short-term interest rates, the federal funds rate, to a target of less than 0.25%. For comparison, for the first half of 2011, the yield on the 30-year U.S. Treasury bond was more than 4%. Although long-term rates declined slightly in 2011, short-term rates remained essentially unchanged, and our strategy produced mixed results, and we have recently reduced the size of our position. In implementing this strategy, we primarily used Treasury futures, as well as interest rate swaps and swaptions, which involve the transfer — or “swap” — of a fixed amount and a variable amount between two parties.

#### **What is your outlook?**

The prospect of a recession in Europe, in our view, now seems likely, while the chance of a recession in the United States is meaningfully higher than it was just three months ago. That said, we maintain our belief that the most likely trajectory for the U.S. economy is one of continued slow growth over the near term. The major headwinds facing consumers earlier in the year — notably, high food and energy prices — have abated, and we believe the prospects are good for already-lean corporations to surprise on the upside in the final months of the year.

Despite the macroeconomic challenges facing U.S. markets — including high unemployment, a stalled housing market, and below-average GDP growth — we believe the fundamentals across a range of fixed-income sectors remain attractive. We believe investors' flight to quality has led to even more compelling valuations in a number of sectors, and we intend to tactically allocate to those areas we find most undervalued.

As I mentioned earlier, we continue to have limited exposure to interest-rate risk across our portfolios, although we have been cognizant of the possibility of heightened turbulence over the short term and have taken steps intended to reduce some of the fund's price volatility, such as increasing our position in the U.S. dollar and reducing the magnitude of our underweight to duration. For longer-term shareholders, we believe that our active management strategy of allocating to sectors that offer what we believe are appealing combinations of risk and return potential should prove prudent should investors regain an appetite for risk and the extreme volatility of recent months subsides.

#### **Thank you, Bill, for bringing us up to date on the fund.**

*The views expressed in this report are exclusively those of Putnam Management and are subject to change. They are not meant as investment advice.*

*Please note that the holdings discussed in this report may not have been held by the fund for the entire period. Portfolio composition is subject to review in accordance with the fund's investment strategy and may vary in the future. Current and future portfolio holdings are subject to risk.*

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## Of special interest

Your fund's dividend rate was decreased three times during the annual period ended September 30, 2011. The per-share dividend declined from \$0.053 to \$0.043 effective November 2010, from \$0.043 to \$0.039 effective March 2011, and from \$0.039 to \$0.029 effective June 2011. The reductions were due to a decrease in yields from asset-backed and commercial mortgage-backed securities, an overall decrease in interest income resulting from the current low-interest-rate environment, and a decrease in interest income due to declining yields in the market place.

Portfolio Manager **D. William Kohli** is Co-Head of Fixed Income at Putnam. He has an M.B.A. from the Haas School of Business at the University of California, Berkeley, and a B.A. from the University of California, San Diego. Bill joined Putnam in 1994 and has been in the investment industry since 1987.

In addition to Bill, your fund's portfolio managers are Michael Atkin, Kevin Murphy, Michael Salm, and Paul Scanlon.

## IN THE NEWS

**U.S. corporations are holding more cash on their books than at any time in nearly 50 years.** At the end of June, non-financial companies held more than \$2 trillion in cash and other liquid assets, according to the Federal Reserve (the Fed). This marks an increase of more than \$88 billion since the end of March. Cash accounted for 7.1% of all company assets, according to the Fed, the highest level since 1963. The Fed's analysis does not include the substantial amount of cash that U.S. companies hold overseas. While critics are putting pressure on companies to use the cash to invest or create more jobs, others say the sizeable cash holdings could provide an important buffer for U.S. companies if European bank woes should spark a global financial crisis.

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## Your fund's performance

This section shows your fund's performance, price, and distribution information for periods ended September 30, 2011, the end of its most recent fiscal year. Performance should always be considered in light of a fund's investment strategy. Data represent 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.

**Fund performance** Total return for periods ended 9/30/11

	NAV	Market price
Annual average		
Life of fund (since 4/29/88)	7.10%	6.52%
10 years	93.33	97.63
Annual average	6.81	7.05
5 years	25.26	36.37
Annual average	4.61	6.40

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3 years	31.75	35.92
Annual average	9.63	10.77
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1 year	-0.91	-13.01
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Performance assumes reinvestment of distributions and does not account for taxes.

**Comparative index returns** For periods ended 9/30/11

	<b>Barclays Capital Government/Credit Bond Index</b>	<b>Citigroup Non-U.S. World Government Bond Index</b>	<b>JPMorgan Global High Yield Index</b>	<b>Lipper Flexible Income Funds (closed-end) category average*</b>
Annual average (life of fund)	7.37%	6.84%	—†	6.75%
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10 years	74.73	115.32	141.47%	87.24
Annual average	5.74	7.97	9.22	6.46
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5 years	37.12	45.41	42.70	29.66
Annual average	6.52	7.77	7.37	5.28
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3 years	27.42	26.28	46.19	33.61
Annual average	8.41	8.09	13.50	10.10
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1 year	5.14	4.14	2.55	0.97
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Index and Lipper results should be compared with fund performance at net asset value. Lipper calculates performance differently than the closed-end funds it ranks, due to varying methods for determining a fund's monthly reinvestment net asset value.

\* Over the 1-year, 3-year, 5-year, 10-year, and life-of-fund periods ended 9/30/11, there were 5, 4, 4, 3, and 2 funds, respectively, in this Lipper category.

† The JPMorgan Global High Yield Index was introduced on 12/31/93, which post-dates the fund's inception.

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**Fund price and distribution information** For the 12-month period ended 9/30/11

**Distributions**

Number	12
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Income	\$0.458000
<hr/>	
Capital gains	—
<hr/>	
<b>Total</b>	<b>\$0.458000</b>

<b>Share value</b>	<b>NAV</b>	<b>Market price</b>
9/30/10	\$5.83	\$6.28
9/30/11	5.34	5.05
<hr/>		
<b>Current yield (end of period)</b>		
<hr/>		
Current dividend rate*	6.52%	6.89%

The classification of distributions, if any, is an estimate. Final distribution information will appear on your year-end tax forms.

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

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## Terms and definitions

### Important terms

**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 exchanges such as the New York Stock Exchange.

**Current yield** is the annual rate of return earned from dividends or interest of an investment. Current yield is expressed as a percentage of the price of a security, fund share, or principal investment.

### Comparative indexes

**Barclays Capital U.S. Aggregate Bond Index** is an unmanaged index of U.S. investment-grade fixed-income securities.

**Barclays Capital Government/Credit Bond Index** is an unmanaged index of U.S. Treasuries, agency securities, and investment-grade corporate bonds.

**BofA (Bank of America) Merrill Lynch U.S. 3-Month Treasury Bill Index** is an unmanaged index that seeks to measure the performance of U.S. Treasury bills available in the marketplace.

**Citigroup Non-U.S. World Government Bond Index** is an unmanaged index generally considered to be representative of the world bond market excluding the United States.

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

**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 mutual funds. Its rankings do not reflect sales charges. Lipper rankings are based on total return at net asset value relative to other funds that have similar current investment styles or objectives as determined by Lipper. Lipper may change a fund's category assignment at its discretion. Lipper category averages reflect performance trends for funds within a category.

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## 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 your fund's management contract with Putnam Investment Management ("Putnam Management") and the sub-management contract with respect to your fund between Putnam Management and its affiliate, Putnam Investments Limited ("PIL").

The Board of Trustees, with the assistance of its Contract Committee, which consists solely of Trustees who are not "interested persons" (as this term is defined in the Investment Company Act of 1940, as amended) of the Putnam funds ("Independent Trustees"), requests and evaluates all information it deems reasonably necessary under the circumstances in connection with its annual contract review. Over the course of several months ending in June 2011, the Contract Committee met on a number of occasions with representatives of Putnam Management, and separately in executive session, to consider the information that Putnam Management provided 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 on a number of occasions. At the Trustees' June 17, 2011 meeting, the Contract Committee recommended, and the Independent Trustees approved, the continuance of your fund's management and sub-management contracts, effective July 1, 2011. (Because PIL is an affiliate of Putnam Management and Putnam Management remains fully responsible for all services provided by PIL, the Trustees have not evaluated PIL as a separate entity, and all subsequent references to Putnam Management below should be deemed to include reference to PIL as necessary or appropriate in the context.)

The Independent Trustees' approval was based on the following conclusions:

- That the fee schedule in effect for your fund represented 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 services, and
- That the fee schedule represented 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 and how the Trustees considered these factors are described below, although individual Trustees may have

evaluated the information presented differently, giving different weights to various factors. It is also important to recognize that the management arrangements for your fund and the other Putnam funds are the result of many years of review and discussion between the Independent Trustees and Putnam Management, that some aspects of the arrangements may receive greater scrutiny in some years than others, and that the Trustees' conclusions may be based, in part, on their consideration of fee arrangements in previous years.

### **Management fee schedules and total expenses**

The Trustees reviewed the management fee schedules in effect for all Putnam funds, including fee levels and breakpoints. In reviewing management fees, the Trustees

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generally focus their attention on material changes in circumstances — for example, changes in assets under management or investment style, changes in Putnam Management's operating costs, or changes in competitive practices in the mutual fund industry — that suggest that consideration of fee changes might be warranted. The Trustees concluded that the circumstances did not warrant changes to the management fee structure of your fund.

Your fund currently has the benefit of breakpoints in its management fee that provide shareholders with significant economies of scale in the form of reduced fee levels as the fund's assets under management increase. In recent years, the Trustees have examined the operation of the existing breakpoint structure during periods of both growth and decline in asset levels. The Trustees concluded that the fee schedule in effect for your fund represented an appropriate sharing of economies of scale at that time.

The Trustees reviewed comparative fee and expense information for a custom group of competitive funds selected by Lipper Inc. This comparative information included your fund's percentile ranking for effective management fees and total expenses, which provides a general indication of your fund's relative standing. In the custom peer group, your fund ranked in the 3rd quintile in effective management fees (determined for your fund and the other funds in the custom peer group based on fund asset size and the applicable contractual management fee schedule) and in the 1st quintile in total expenses as of December 31, 2010 (the first quintile representing the least expensive funds and the fifth quintile the most expensive funds). The fee and expense data reported by Lipper as of December 31, 2010 reflected the most recent fiscal year-end data available in Lipper's database at that time.

In connection with their review of the management fees and total expenses of the Putnam funds, the Trustees also reviewed the costs of the services provided and the profits realized by Putnam Management and its affiliates from their contractual relationships with the funds. This information included trends in revenues, expenses and profitability of Putnam Management and its affiliates relating to the investment management, investor servicing and distribution services provided to the funds. In this regard, the Trustees also reviewed an analysis of Putnam Management's revenues, expenses and profitability, allocated on a fund-by-fund basis, with respect to the funds' management, distribution, and investor servicing contracts. For each fund, the analysis presented information about revenues, expenses and profitability for each of the agreements separately and for the agreements taken together on a combined basis. The Trustees concluded that, at current asset levels, the fee schedules in place represented reasonable compensation for the services being provided and represented an appropriate sharing of such economies of scale as may exist in the management of the funds at that time.

The information examined by the Trustees as part of their annual contract review for the Putnam funds has included for many years information regarding fees charged by Putnam Management and its affiliates to institutional clients such as defined benefit pension plans, college endowments, and the like. This information included comparisons of those fees with fees charged to the funds, as well as an assessment of the differences in the services provided to these different types of clients. The Trustees observed 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 may reflect historical competitive forces

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operating in separate markets. The Trustees considered the fact that in many cases fee rates across different asset classes are higher on average for mutual funds than for institutional clients, as well as the differences between the services that Putnam Management provides to the Putnam funds and those that it provides to its institutional clients. The Trustees did not rely on these comparisons to any significant extent in concluding that the management fees paid by your fund are reasonable.

**Investment performance**

The quality of the investment process provided by Putnam Management represented a major factor in the Trustees' evaluation of the quality of services provided by Putnam Management under your fund's management contract. The Trustees were assisted in their review of the Putnam funds' investment process and performance by the work of several investment oversight committees of the Trustees, which met on a regular basis with the funds' portfolio teams and with the Chief Investment Officer and other members of Putnam Management's Investment Division throughout the year. The Trustees concluded that Putnam Management generally provides a high-quality investment process — based on the experience and skills of the individuals assigned to the management of fund portfolios, the resources made available to them, and in general Putnam Management's ability to attract and retain high-quality personnel — but also recognized that this 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 each fund's performance with various benchmarks and with the performance of competitive funds.

The Committee noted the substantial improvement in the performance of most Putnam funds during the 2009–2010 period and Putnam Management's ongoing efforts to strengthen its investment personnel and processes. The Committee also noted the disappointing investment performance of some funds for periods ended December 31, 2010 and considered information provided by Putnam Management regarding the factors contributing to the underperformance and actions being taken to improve the performance of these particular funds. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these efforts and to evaluate whether additional actions to address areas of underperformance are warranted.

In the case of your fund, the Trustees considered that its common share cumulative total return performance at net asset value was in the following quartiles of its Lipper Inc. peer group (Lipper Flexible Income Funds (closed-end)) for the one-year, three-year and five-year periods ended December 31, 2010 (the first quartile representing the best-performing funds and the fourth quartile the worst-performing funds):

One-year period	2nd
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Three-year period	3rd
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Five-year period	4th
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Over the one-year, three-year and five-year periods ended December 31, 2010, there were 6, 5 and 5 funds, respectively, in your fund's Lipper peer group. (When considering performance information, shareholders should be mindful that past performance is not a guarantee of future results.)

The Trustees expressed concern about your fund's fourth quartile performance over the five-year period ended December 31, 2010 and considered the circumstances that may have contributed to this disappointing performance. The Trustees considered Putnam Management's observation that the fund's underperformance over this period was due in significant part to the fund's investments in commercial and residential mortgage-backed

securities, which exhibited significant volatility and underperformed during the economic downturn in 2008. The Trustees also considered that the fund's relative performance over the one-year and three-year periods ended

December 31, 2010 showed improvement, with the fund placing in the second and third quartiles, respectively, of its Lipper peer group. They also considered a number of other changes that Putnam Management had made in recent years in efforts to support and improve fund performance generally. In particular, the Trustees recognized that Putnam Management has realigned the compensation structure for portfolio managers and research analysts so that only those who achieve top-quartile returns over a rolling three-year basis are eligible for full bonuses. The Trustees noted that one of your fund's portfolio managers, Rob Bloemker, had left Putnam Management in March 2011, and considered that the remaining management team had significant long-term experience.

As a general matter, the Trustees believe that cooperative efforts between the Trustees and Putnam Management represent the most effective way to address investment performance problems. The Trustees noted that investors in the Putnam funds have, in effect, placed their trust in the Putnam organization, under the oversight of the funds' Trustees, to make appropriate decisions regarding the management of the funds. Based on the responsiveness of Putnam Management in the recent past to performance issues, the Trustees concluded that it is preferable to seek change within Putnam Management to address performance shortcomings. In the Trustees' view, the alternative of engaging a new investment adviser for an underperforming fund would entail significant disruptions and would not provide any greater assurance of improved investment performance.

### **Brokerage and soft-dollar allocations; investor servicing**

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 benefits related to brokerage allocation and the use of soft dollars, whereby a portion of the commissions paid by a fund for brokerage may be used to acquire research services that are expected to be useful to Putnam Management in managing the assets of the fund and of other clients. Subject to policies established by the Trustees, soft-dollar credits acquired through these means are used primarily to supplement Putnam Management's internal research efforts. However, the Trustees noted that a portion of available soft-dollar credits continues to be allocated to the payment of fund expenses. The Trustees indicated their continued intent to monitor regulatory developments in this area with the assistance of their Brokerage Committee and also indicated their continued intent to monitor the potential benefits associated with fund brokerage and soft-dollar allocations and trends in industry practices to ensure that the principle of seeking best price and execution remains paramount in the portfolio trading process.

Putnam Management may also receive benefits from payments that the funds make to Putnam Management's affiliates for investor services. In conjunction with the annual review of your fund's management contract, the Trustees reviewed your fund's investor servicing agreement with Putnam Investor Services, Inc. ("PSERV"), an affiliate of Putnam Management. The Trustees concluded that the fees payable by the funds to PSERV for such services are reasonable in relation to the nature and quality of such services.

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## **Other information for shareholders**

### **Important notice regarding share repurchase program**

In September 2011, the Trustees of your fund approved the renewal of a share repurchase program that had been in effect since 2005. This renewal will allow your fund to repurchase, in the 12 months beginning October 8, 2011, up to 10% of the fund's common shares outstanding as of October 7, 2011.

### **Important notice regarding Putnam's privacy policy**

In order to conduct business with our shareholders, we must obtain certain personal information such as account holders' names, addresses, Social Security numbers, and dates of birth. Using this information, we are able to maintain accurate records of accounts and transactions.

It is our policy to protect the confidentiality of our shareholder information, whether or not a shareholder currently owns shares of our funds. In particular, it is our policy not to sell information about you or your accounts to outside marketing firms. We have safeguards in place designed to prevent unauthorized access to our computer systems and procedures to protect personal information from unauthorized use.

Under certain circumstances, we must share account information with outside vendors who provide services to us, such as mailings and proxy solicitations. In these cases, the service providers enter into confidentiality agreements with us, and we provide only the information necessary to process transactions and perform other services related to your account. Finally, it is our policy to share account information with your financial representative, if you've listed one on your Putnam account.

### **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, 2011, are available in the Individual Investors section at putnam.com, and on the SEC's website, www.sec.gov. If you have questions about finding forms on the SEC's website, 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**

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 website at 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 website or the operation of the Public Reference Room.

### **Trustee and employee fund ownership**

Putnam employees and members of the Board of Trustees place their faith, confidence, and, most importantly, investment dollars in Putnam mutual funds. As of September 30, 2011, Putnam employees had approximately \$298,000,000 and the Trustees had approximately \$65,000,000 invested in Putnam mutual funds. These amounts include investments by the Trustees' and employees' immediate family members as well as investments through retirement and deferred compensation plans.

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## **Financial statements**

**These sections of the report, as well as the accompanying Notes, preceded by the Report of Independent Registered Public Accounting Firm, constitute the fund's financial statements.**

**The fund's portfolio** lists all the fund's investments and their values as of the last day of the reporting period. Holdings are organized by asset type and industry sector, country, or state to show areas of concentration and diversification.

**Statement of assets and liabilities** shows how the fund's net assets and share price are determined. All investment and non-investment assets are added together. Any unpaid expenses and other liabilities are subtracted from this total. The result is divided by the number of shares to determine the net asset value per share. (For funds with preferred shares, the amount subtracted from total assets includes the liquidation preference of preferred shares.)

**Statement of operations** shows the fund's net investment gain or loss. This is done by first adding up all the fund's earnings — from dividends and interest income — and subtracting its operating expenses to determine net investment income (or loss). Then, any net gain or loss the fund realized on the sales of its holdings — as well as any unrealized gains or losses over the period — is added to or subtracted from the net investment result to determine the fund's net gain or loss for the fiscal year.

**Statement of changes in net assets** shows how the fund's net assets were affected by the fund's net investment gain or loss, by distributions to shareholders, and by changes in the number of the fund's shares. It lists



distributions and their sources (net investment income or realized capital gains) over the current reporting period and the most recent fiscal year-end. The distributions listed here may not match the sources listed in the Statement of operations because the distributions are determined on a tax basis and may be paid in a different period from the one in which they were earned.

**Financial highlights** provide an overview of the fund's investment results, per-share distributions, expense ratios, net investment income ratios, and portfolio turnover in one summary table, reflecting the five most recent reporting periods. In a semiannual report, the highlights table also includes the current reporting period.

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**Report of Independent Registered Public Accounting Firm**

To the Board of Trustees and Shareholders of  
Putnam Master Intermediate Income Trust:

We have audited the accompanying statement of assets and liabilities of Putnam Master Intermediate Income Trust (the fund), including the fund's portfolio, as of September 30, 2011, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended and the financial highlights for each of the years in the five-year period then ended. These financial statements and financial highlights are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of September 30, 2011 by correspondence with the custodian and brokers or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Putnam Master Intermediate Income Trust as of September 30, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts  
November 17, 2011

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**The fund's portfolio 9/30/11**

<b>CORPORATE BONDS AND NOTES (29.1%)*</b>	<b>Principal amount</b>	<b>Value</b>
<b>Basic materials (2.5%)</b>		
Associated Materials, LLC company guaranty sr. notes		
9 1/8s, 2017	\$260,000	\$210,600

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Atkore International, Inc. 144A sr. notes 9 7/8s, 2018		177,000	160,185
Catalyst Paper Corp. 144A company guaranty sr. notes 11s, 2016 (Canada)		27,000	17,550
Celanese US Holdings, LLC company guaranty sr. unsec. notes 6 5/8s, 2018 (Germany)		270,000	279,113
Celanese US Holdings, LLC sr. notes 5 7/8s, 2021 (Germany)		185,000	182,225
Clondalkin Acquisition BV 144A company guaranty sr. notes FRN 2.347s, 2013 (Netherlands)		75,000	66,750
Dynacast International, LLC/Dynacast Finance, Inc. 144A notes 9 1/4s, 2019		60,000	56,250
Exopack Holding Corp. 144A sr. notes 10s, 2018		150,000	140,250
Ferro Corp. sr. unsec. notes 7 7/8s, 2018		423,000	423,000
FMG Resources August 2006 Pty, Ltd. 144A sr. notes 7s, 2015 (Australia)		284,000	268,380
FMG Resources August 2006 Pty, Ltd. 144A sr. notes 6 7/8s, 2018 (Australia)		180,000	166,500
Grohe Holding GmbH 144A company guaranty sr. notes FRN 5.528s, 2017 (Germany)	EUR	313,000	378,689
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, ULC company guaranty notes 9s, 2020		\$205,000	150,163
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, ULC company guaranty sr. notes 8 7/8s, 2018		160,000	132,000
Huntsman International, LLC company guaranty sr. unsec. sub. notes 8 5/8s, 2021		287,000	274,803
INEOS Finance PLC 144A company guaranty sr. notes 9s, 2015			

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(United Kingdom)		200,000	197,000
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INEOS Group Holdings, Ltd. company guaranty sr. unsec. notes Ser. REGS, 7 7/8s, 2016 (United Kingdom)	EUR	238,000	221,326
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Kronos International, Inc. sr. notes 6 1/2s, 2013 (Germany)	EUR	288,800	373,761
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Lyondell Chemical Co. sr. notes 11s, 2018		\$935,000	1,009,800
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Lyondell Chemical Co. 144A company guaranty sr. notes 8s, 2017		439,000	473,023
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Momentive Performance Materials, Inc. notes 9s, 2021		296,000	202,760
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NewPage Corp. company guaranty sr. notes 11 3/8s, 2014 (In default) †		105,000	77,963
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Nexeo Solutions, LLC/Nexeo Solutions Finance Corp. 144A company guaranty sr. sub. notes 8 3/8s, 2018		60,000	59,250
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Novelis, Inc. company guaranty sr. unsec. notes 8 3/4s, 2020		215,000	210,700
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Novelis, Inc. company guaranty sr. unsec. notes 7 1/4s, 2015		243,000	238,748
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PE Paper Escrow GmbH sr. notes Ser. REGS, 11 3/4s, 2014 (Austria)	EUR	405,000	562,506
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Pregis Corp. company guaranty sr. sub. notes 12 3/8s, 2013		\$110,000	100,100
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Rockwood Specialties Group, Inc. company guaranty sr. unsec. sub. notes 7 5/8s, 2014	EUR	50,000	66,000
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Sealed Air Corp. 144A sr. unsec. notes 8 3/8s, 2021 Δ		\$80,000	80,800
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**CORPORATE BONDS AND NOTES (29.1%)\* cont.**

**Principal amount**

**Value**

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**Basic materials** *cont.*

SGL Carbon SE company guaranty sr. sub. notes FRN Ser. EMTN, 2.785s, 2015 (Germany)	EUR	152,000	\$193,807
Smurfit Kappa Funding PLC sr. unsec. sub. notes 7 3/4s, 2015 (Ireland)		\$115,000	110,400
Solutia, Inc. company guaranty sr. unsec. notes 8 3/4s, 2017		143,000	152,295
Solutia, Inc. company guaranty sr. unsec. notes 7 7/8s, 2020		321,000	337,050
Steel Dynamics, Inc. company guaranty sr. unsec. unsub. notes 7 3/8s, 2012		25,000	25,563
Steel Dynamics, Inc. sr. unsec. unsub. notes 7 3/4s, 2016		269,000	267,655
Styrolution Group GmbH 144A sr. notes 7 5/8s, 2016 (Germany)	EUR	100,000	99,132
Teck Resources Limited sr. notes 10 1/4s, 2016 (Canada)		\$177,000	208,081
Thompson Creek Metals Co., Inc. 144A company guaranty sr. notes 7 3/8s, 2018 (Canada)		105,000	94,500
TPC Group, LLC 144A sr. notes 8 1/4s, 2017		231,000	226,380
Tube City IMS Corp. company guaranty sr. unsec. sub. notes 9 3/4s, 2015		218,000	208,190
Verso Paper Holdings, LLC/Verso Paper, Inc. company guaranty sr. notes 8 3/4s, 2019		85,000	58,650
Verso Paper Holdings, LLC/Verso Paper, Inc. sr. notes 11 1/2s, 2014		175,000	182,000
			<b>8,943,898</b>
<b>Capital goods (1.5%)</b>			
Alliant Techsystems, Inc. sr. sub. notes 6 3/4s, 2016		199,000	199,498
Altra Holdings, Inc. company guaranty sr. notes 8 1/8s, 2016		95,000	96,900

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American Axle & Manufacturing, Inc. company guaranty sr. unsec. notes 5 1/4s, 2014		104,000	97,760
American Axle & Manufacturing, Inc. company guaranty sr. unsec. unsub. notes 7 7/8s, 2017		35,000	32,900
American Axle & Manufacturing, Inc. 144A company guaranty sr. notes 9 1/4s, 2017		81,000	84,240
Ardagh Packaging Finance PLC sr. notes Ser. REGS, 7 3/8s, 2017 (Ireland)	EUR	140,000	174,796
BE Aerospace, Inc. sr. unsec. unsub. notes 6 7/8s, 2020		\$298,000	312,155
Berry Plastics Corp. company guaranty notes FRN 4.222s, 2014		200,000	168,000
Berry Plastics Corp. company guaranty sr. notes 9 1/2s, 2018		97,000	82,450
Berry Plastics Corp. notes 9 3/4s, 2021		24,000	20,400
Briggs & Stratton Corp. company guaranty sr. unsec. notes 6 7/8s, 2020		\$147,000	148,470
Crown Americas, LLC/Crown Americas Capital Corp. III 144A sr. notes 6 1/4s, 2021		140,000	140,000
Crown Euro Holdings SA 144A sr. notes 7 1/8s, 2018 (France)	EUR	50,000	64,879
Graham Packaging Co., LP/GPC Capital Corp. company guaranty sr. unsec. notes 8 1/4s, 2017		\$100,000	100,625
Kratos Defense & Security Solutions, Inc. company guaranty sr. notes 10s, 2017		382,000	380,090
Kratos Defense & Security Solutions, Inc. 144A company guaranty sr. notes 10s, 2017		36,000	35,820
Mueller Water Products, Inc. company guaranty sr. unsec. unsub. notes 8 3/4s, 2020		24,000	23,640

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Pittsburgh Glass Works, LLC 144A sr. notes 8 1/2s, 2016	253,000	232,760
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<b>CORPORATE BONDS AND NOTES (29.1%)* cont.</b>	<b>Principal amount</b>	<b>Value</b>
<b>Capital goods cont.</b>		
Polypore International, Inc. company guaranty sr. unsec. notes 7 1/2s, 2017	\$115,000	\$115,575
Rexel SA company guaranty sr. unsec. notes 8 1/4s, 2016 (France)	EUR 229,000	306,624
Reynolds Group DL Escrow, Inc./Reynolds Group Escrow, LLC 144A sr. notes 8 3/4s, 2016 (Luxembourg)	EUR 377,000	484,604
Reynolds Group Issuer, Inc. 144A company guaranty sr. notes 7 1/8s, 2019	\$130,000	120,900
Reynolds Group Issuer, Inc. 144A company guaranty sr. unsec. notes 9s, 2019	100,000	85,000
Reynolds Group Issuer, Inc./Reynolds Group Issuer, LLC/ Reynolds Group Issuer Lu 144A sr. notes 7 7/8s, 2019	100,000	96,500
Reynolds Group Issuer, Inc./Reynolds Group Issuer, LLC/ Reynolds Group Issuer Lu 144A sr. unsec. notes 9 7/8s, 2019	100,000	88,000
Ryerson, Inc. company guaranty sr. notes 12s, 2015	334,000	334,000
Tenneco, Inc. company guaranty sr. unsec. unsub. notes 7 3/4s, 2018	150,000	150,750
Tenneco, Inc. company guaranty sr. unsub. notes 6 7/8s, 2020	140,000	135,800
Terex Corp. sr. unsec. sub. notes 8s, 2017	58,000	51,330

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Thermadyne Holdings Corp. company guaranty sr. notes 9s, 2017		323,000	316,540
Thermon Industries, Inc. company guaranty sr. notes 9 1/2s, 2017		117,000	121,680
TransDigm, Inc. company guaranty unsec. sub. notes 7 3/4s, 2018		290,000	295,075
Zinc Capital SA 144A sr. notes 8 7/8s, 2018 (Luxembourg)	EUR	110,000	113,790
			<b>5,211,551</b>
<b>Communication services (3.7%)</b>			
AMC Networks, Inc. 144A company guaranty sr. unsec notes 7 3/4s, 2021		\$85,000	87,125
Bresnan Broadband Holdings, LLC 144A company guaranty sr. unsec. unsub. notes 8s, 2018		75,000	75,750
Cablevision Systems Corp. sr. unsec. unsub. notes 8 5/8s, 2017		200,000	208,250
Cablevision Systems Corp. sr. unsec. unsub. notes 8s, 2020		150,000	152,625
CCO Holdings, LLC/CCO Holdings Capital Corp. company guaranty sr. unsec. notes 6 1/2s, 2021		199,000	187,060
CCO Holdings, LLC/CCO Holdings Capital Corp. company guaranty sr. unsub. notes 7s, 2019		172,000	166,840
Cequel Communications Holdings I LLC/Cequel Capital Corp. 144A sr. notes 8 5/8s, 2017		146,000	144,540
Cincinnati Bell, Inc. company guaranty sr. unsec. notes 7s, 2015		88,000	86,900
Cincinnati Bell, Inc. company guaranty sr. unsec. sub. notes 8 3/4s, 2018		270,000	237,600
Clearwire Communications, LLC/Clearwire Finance, Inc. 144A company guaranty sr. notes 12s, 2015		760,000	644,100

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Cricket Communications, Inc. company guaranty sr. unsec. notes 7 3/4s, 2020	258,000	224,460
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Cricket Communications, Inc. company guaranty sr. unsec. unsub. notes 10s, 2015	354,000	351,345
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<b>CORPORATE BONDS AND NOTES (29.1%)* cont.</b>	<b>Principal amount</b>	<b>Value</b>
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**Communication services cont.**

Cricket Communications, Inc. company guaranty sr. unsub. notes 7 3/4s, 2016	\$480,000	\$481,800
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Crown Castle International Corp. sr. unsec. notes 7 1/8s, 2019	70,000	72,100
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CSC Holdings LLC sr. notes 6 3/4s, 2012	81,000	82,418
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CSC Holdings LLC sr. unsec. unsub. notes 8 1/2s, 2014	60,000	64,725
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Digicel, Ltd. 144A sr. unsec. notes 8 1/4s, 2017 (Jamaica)	326,000	306,440
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EH Holding Corp. 144A sr. notes 6 1/2s, 2019	150,000	144,375
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EH Holding Corp. 144A sr. unsec. notes 7 5/8s, 2021	301,000	289,713
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Equinix, Inc. sr. unsec. notes 7s, 2021	130,000	129,350
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Frontier Communications Corp. sr. unsec. notes 8 1/8s, 2018	753,000	724,763
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Inmarsat Finance PLC 144A company guaranty sr. notes 7 3/8s, 2017 (United Kingdom)	365,000	365,913
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Intelsat Jackson Holdings SA 144A company guaranty sr. notes 7 1/2s, 2021 (Bermuda)	212,000	197,160
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Intelsat Luxembourg SA company guaranty sr. unsec. notes 11 1/2s, 2017 (Luxembourg) ‡		871,812	749,758
Intelsat Luxembourg SA company guaranty sr. unsec. notes 11 1/4s, 2017 (Luxembourg)		253,000	219,478
Intelsat Luxembourg SA 144A company guaranty sr. unsec. notes 11 1/2s, 2017 (Luxembourg) ‡		135,000	116,100
Kabel BW Erste Beteiligungs GmbH/Kabel Baden-Wuerttemberg GmbH & Co. KG 144A company guaranty sr. notes 7 1/2s, 2019 (Germany)	EUR	130,000	168,719
Kabel Deutschland GmbH 144A sr. notes 6 1/2s, 2018 (Germany)	EUR	105,000	140,344
Level 3 Escrow, Inc. 144A sr. unsec. notes 8 1/8s, 2019		\$40,000	35,350
Level 3 Financing, Inc. company guaranty sr. unsec. unsub. notes 9 1/4s, 2014		220,000	217,250
Level 3 Financing, Inc. 144A company guaranty sr. unsec. unsub. notes 9 3/8s, 2019		124,000	115,320
Mediacom LLC/Mediacom Capital Corp. sr. unsec. notes 9 1/8s, 2019		59,000	58,705
MetroPCS Wireless, Inc. company guaranty sr. unsec. notes 7 7/8s, 2018		407,000	396,825
NII Capital Corp. company guaranty sr. unsec. unsub. notes 10s, 2016		360,000	394,200
NII Capital Corp. company guaranty sr. unsec. unsub. notes 7 5/8s, 2021		65,000	66,300
PAETEC Holding Corp. company guaranty sr. notes 8 7/8s, 2017		261,000	274,050
PAETEC Holding Corp. company guaranty sr. unsec. notes 9 7/8s, 2018		156,000	163,410

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Phones4U Finance PLC 144A sr. notes 9 1/2s, 2018

(United Kingdom)	GBP	180,000	205,280
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Qwest Communications International, Inc. company guaranty

7 1/2s, 2014		\$181,000	181,000
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Qwest Corp. sr. unsec. notes 7 1/2s, 2014

		75,000	81,000
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SBA Telecommunications, Inc. company guaranty sr. unsec.

notes 8 1/4s, 2019		105,000	110,250
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SBA Telecommunications, Inc. company guaranty sr. unsec.

notes 8s, 2016		180,000	188,550
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**CORPORATE BONDS AND NOTES (29.1%)\* cont.**

**Principal amount**

**Value**

**Communication services cont.**

Sprint Nextel Corp. sr. notes 8 3/8s, 2017		\$1,100,000	\$1,023,000
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Sprint Nextel Corp. sr. unsec. notes 6s, 2016

		117,000	100,620
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Sunrise Communications Holdings SA 144A company

guaranty sr. notes 8 1/2s, 2018 (Luxembourg)	EUR	100,000	124,899
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Unitymedia GmbH company guaranty sr. notes Ser. REGS,

9 5/8s, 2019 (Germany)	EUR	293,000	380,864
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Unitymedia Hessen GmbH & Co. KG/Unitymedia NRW GmbH

144A company guaranty sr. notes 8 1/8s, 2017 (Germany)	EUR	218,000	291,313
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UPC Holdings BV sr. notes 9 3/4s, 2018 (Netherlands)

	EUR	361,000	480,805
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Virgin Media Finance PLC company guaranty sr. unsec. bond

8 7/8s, 2019 (United Kingdom)	GBP	50,000	81,968
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Wind Acquisition Finance SA sr. notes Ser. REGS, 11 3/4s, 2017 (Netherlands)	EUR	130,000	144,052
Wind Acquisition Finance SA 144A company guaranty sr. notes 7 3/8s, 2018 (Netherlands)	EUR	325,000	368,263
Wind Acquisition Holding company guaranty sr. notes Ser. REGS, 12 1/4s, 2017 (Luxembourg) ##	EUR	145,000	158,235
Windstream Corp. company guaranty sr. unsec. unsub. notes 8 1/8s, 2018		\$60,000	60,450
Windstream Corp. company guaranty sr. unsec. unsub. notes 7 7/8s, 2017		247,000	250,088
Windstream Corp. company guaranty sr. unsec. unsub. notes 7 3/4s, 2021		109,000	105,185
			<b>12,876,983</b>
<b>Conglomerates (0.1%)</b>			
SPX Corp. company guaranty sr. unsec. notes 6 7/8s, 2017		70,000	71,750
SPX Corp. sr. unsec. notes 7 5/8s, 2014		115,000	123,050
			<b>194,800</b>
<b>Consumer cyclicals (5.3%)</b>			
Academy Ltd./Academy Finance Corp. 144A company guaranty sr. unsec. notes 9 1/4s, 2019		25,000	23,250
Affinion Group Holdings, Inc. company guaranty sr. unsec. notes 11 5/8s, 2015		20,000	15,400
Affinion Group, Inc. company guaranty sr. unsec. notes 7 7/8s, 2018		407,000	313,390
Affinion Group, Inc. company guaranty sr. unsec. sub. notes 11 1/2s, 2015		250,000	195,000
AMC Entertainment, Inc. company guaranty sr. sub. notes 9 3/4s, 2020		170,000	153,850

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American Casino & Entertainment Properties LLC sr. notes 11s, 2014	238,000	230,265
Ameristar Casinos, Inc. 144A sr. notes 7 1/2s, 2021	170,000	164,475
ARAMARK Holdings Corp. 144A sr. unsec. notes 8 5/8s, 2016 ¶¶	74,000	72,890
Autonation, Inc. company guaranty sr. unsec. notes 6 3/4s 2018	255,000	260,100
Beazer Homes USA, Inc. company guaranty sr. unsec. notes 6 7/8s, 2015	75,000	50,625
Beazer Homes USA, Inc. sr. unsec. notes 9 1/8s, 2019	71,000	45,085
Bon-Ton Department Stores, Inc. (The) company guaranty 10 1/4s, 2014	285,000	228,000
Brickman Group Holdings, Inc. 144A sr. notes 9 1/8s, 2018	52,000	45,890

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<b>CORPORATE BONDS AND NOTES (29.1%)* cont.</b>	<b>Principal amount</b>	<b>Value</b>
<b>Consumer cyclicals cont.</b>		
Building Materials Corp. 144A company guaranty sr. notes 7 1/2s, 2020	\$100,000	\$102,000
Building Materials Corp. 144A sr. notes 6 7/8s, 2018	75,000	72,750
Building Materials Corp. 144A sr. notes 6 3/4s, 2021	180,000	171,000
Burlington Coat Factory Warehouse Corp. 144A company guaranty sr. unsec. notes 10s, 2019	140,000	119,000
Caesars Entertainment Operating Co., Inc. company guaranty sr. notes 10s, 2018	500,000	297,500

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Caesars Entertainment Operating Co., Inc. sr. notes 11 1/4s, 2017		350,000	353,063
Carlson Wagonlit BV company guaranty sr. sec. notes FRN Ser. REGS, 7.36s, 2015 (Netherlands)	EUR	275,000	276,374
Cedar Fair LP/Canada's Wonderland Co./Magnum Management Corp. company guaranty sr. unsec. notes 9 1/8s, 2018		\$70,000	72,275
Cenveo Corp. company guaranty sr. notes 8 7/8s, 2018		110,000	86,625
Cenveo Corp. 144A company guaranty sr. unsec. notes 10 1/2s, 2016		120,000	96,000
Chrysler Group, LLC/CG Co-Issuer, Inc. 144A company guaranty sr. notes 8 1/4s, 2021		305,000	235,613
Cinemark USA, Inc. company guaranty sr. unsec. sub. notes 7 3/8s, 2021		40,000	37,800
CityCenter Holdings LLC/CityCenter Finance Corp. 144A company guaranty sr. notes 10 3/4s, 2017 ††		286,063	259,602
Clear Channel Communications, Inc. company guaranty sr. notes 9s, 2021		135,000	100,238
Clear Channel Communications, Inc. company guaranty unsec. unsub. notes 10 3/4s, 2016		99,000	51,233
Clear Channel Worldwide Holdings, Inc. company guaranty sr. unsec. unsub. notes Ser. B, 9 1/4s, 2017		453,000	463,193
Compucom Systems, Inc. 144A sr. sub. notes 12 1/2s, 2015		155,000	155,775
Conti-Gummi Finance B.V. company guaranty bonds Ser. REGS, 7 1/8s, 2018 (Netherlands)	EUR	307,000	385,178
Cumulus Media, Inc. 144A sr. notes 7 3/4s, 2019		\$235,000	197,988

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DIRECTV Holdings, LLC/DIRECTV Financing Co., Inc. company guaranty sr. unsec. notes 7 5/8s, 2016	117,000	125,775
DISH DBS Corp. company guaranty 6 5/8s, 2014	517,000	522,816
DISH DBS Corp. company guaranty sr. unsec. notes 7 3/4s, 2015	117,000	119,925
DISH DBS Corp. 144A company guaranty sr. unsec. notes 6 3/4s, 2021	192,000	183,360
FelCor Lodging Escrow, LP 144A sr. notes 6 3/4s, 2019 <sup>R</sup>	300,000	268,500
Ford Motor Credit Co., LLC sr. unsec. notes 7s, 2015	125,000	131,250
Ford Motor Credit Co., LLC sr. unsec. notes 5s, 2018	385,000	371,878
Ford Motor Credit Co., LLC sr. unsec. unsub. notes 5 7/8s, 2021	410,000	407,950
General Motors Financial Co., Inc. 144A sr. notes 6 3/4s, 2018	135,000	132,300
Gray Television, Inc. company guaranty sr. notes 10 1/2s, 2015	210,000	190,050
Grupo Televisa, S.A.B sr. unsec. notes 6s, 2018 (Mexico)	460,000	501,400
Hanesbrands, Inc. company guaranty sr. unsec. notes 6 3/8s, 2020	175,000	169,750

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**CORPORATE BONDS AND NOTES (29.1%)\* cont.**

**Principal amount**

**Value**

**Consumer cyclicals cont.**

Interactive Data Corp. company guaranty sr. unsec. notes 10 1/4s, 2018	\$434,000	\$466,550
Isle of Capri Casinos, Inc. company guaranty 7s, 2014	150,000	136,313

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Isle of Capri Casinos, Inc. company guaranty sr. unsec. unsub. notes 7 3/4s, 2019		356,000	324,850
ISS Holdings A/S sr. sub. notes Ser. REGS, 8 7/8s, 2016 (Denmark)	EUR	505,000	599,909
Jarden Corp. company guaranty sr. unsec. sub. notes 7 1/2s, 2017		\$165,000	168,300
Jarden Corp. company guaranty sr. unsec. sub. notes Ser. 1, 7 1/2s, 2020	EUR	50,000	61,557
Lamar Media Corp. company guaranty sr. notes 9 3/4s, 2014		\$100,000	110,250
Lender Processing Services, Inc. company guaranty sr. unsec. unsub. notes 8 1/8s, 2016		795,000	747,300
Levi Strauss & Co. sr. unsec. notes 8 7/8s, 2016		70,000	70,700
Limited Brands, Inc. company guaranty sr. unsec. notes 6 5/8s, 2021		155,000	156,744
Macy's Retail Holdings, Inc. company guaranty sr. unsec. notes 5.9s, 2016		195,000	213,003
Mashantucket Western Pequot Tribe 144A bonds Ser. A, 8 1/2s, 2015 (In default) †		340,000	19,550
Masonite International Corp. 144A company guaranty sr. notes 8 1/4s, 2021 (Canada)		55,000	49,638
MGM Resorts International company guaranty sr. notes 9s, 2020		105,000	109,069
MGM Resorts International company guaranty sr. unsec. notes 6 7/8s, 2016		65,000	55,250
MTR Gaming Group, Inc. 144A notes 11 1/2s, 2019		520,000	418,600
Navistar International Corp. sr. notes 8 1/4s, 2021		330,000	338,250

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Needle Merger Sub Corp. 144A sr. unsec. notes 8 1/8s, 2019		135,000	117,450
Nielsen Finance, LLC/Nielsen Finance Co. company guaranty sr. unsec. notes 7 3/4s, 2018		145,000	147,900
Nortek, Inc. 144A company guaranty sr. notes 8 1/2s, 2021		155,000	124,775
Nortek, Inc. 144A company guaranty sr. unsec. notes 10s, 2018		115,000	106,375
Owens Corning company guaranty sr. unsec. notes 9s, 2019		542,000	639,560
Penn National Gaming, Inc. sr. unsec. sub. notes 8 3/4s, 2019		50,000	53,000
Penske Automotive Group, Inc. company guaranty sr. unsec. sub. notes 7 3/4s, 2016		160,000	158,400
PETCO Animal Supplies, Inc. 144A company guaranty sr. notes 9 1/4s, 2018		100,000	100,500
PHH Corp. sr. unsec. unsub. notes 9 1/4s, 2016		100,000	102,750
Pinnacle Entertainment, Inc. company guaranty sr. unsec. notes 8 5/8s, 2017		55,000	55,413
Pinnacle Entertainment, Inc. company guaranty sr. unsec. sub. notes 7 1/2s, 2015		320,000	308,000
Ply Gem Industries, Inc. company guaranty sr. notes 8 1/4s, 2018		30,000	24,450
Polish Television Holding BV sr. notes stepped-coupon Ser. REGS, 11 1/4s (13s, 11/15/14), 2017 (Netherlands) ††	EUR	380,000	522,204
QVC Inc. 144A sr. notes 7 1/2s, 2019		\$120,000	127,800



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<b>CORPORATE BONDS AND NOTES (29.1%)* cont.</b>	<b>Principal amount</b>	<b>Value</b>
<b>Consumer cyclicals cont.</b>		
Realogy Corp. 144A company guaranty sr. notes 7 7/8s, 2019	\$50,000	\$37,750
Roofing Supply Group, LLC/Roofing Supply Finance, Inc. 144A sr. notes 8 5/8s, 2017	140,000	131,950
Sabre Holdings Corp. sr. unsec. unsub. notes 8.35s, 2016	152,000	124,260
Scotts Miracle-Gro Co. (The) 144A sr. notes 6 5/8s, 2020	140,000	137,200
Sealy Mattress Co. sr. sub. notes 8 1/4s, 2014	75,000	70,688
Sealy Mattress Co. 144A company guaranty sr. sec. notes 10 7/8s, 2016	140,000	147,700
Sears Holdings Corp. company guaranty 6 5/8s, 2018	139,000	114,675
Standard Pacific Corp. company guaranty sr. unsec. unsub. notes 7s, 2015	36,000	33,840
SugarHouse HSP Gaming Prop. Mezz LP/SugarHouse HSP Gaming Finance Corp. 144A notes 8 5/8s, 2016	70,000	70,350
Toys R Us, Inc. sr. unsec. unsub. notes 7 7/8s, 2013	30,000	29,625
Toys R Us — Delaware, Inc. 144A company guaranty sr. notes 7 3/8s, 2016	45,000	43,313
Toys R Us Property Co., LLC company guaranty sr. unsec. notes 10 3/4s, 2017	293,000	309,848
Travelport LLC company guaranty 11 7/8s, 2016	127,000	50,165
Travelport LLC company guaranty 9 7/8s, 2014	70,000	45,850
Travelport, LLC/Travelport, Inc. company guaranty sr. unsec. notes 9s, 2016	244,000	142,740

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TRW Automotive, Inc. company guaranty sr. unsec. unsub. notes Ser. REGS, 6 3/8s, 2014	EUR	110,000	147,958
TRW Automotive, Inc. 144A company guaranty sr. notes 7 1/4s, 2017		\$350,000	367,500
Universal City Development Partners, Ltd. company guaranty sr. unsec. notes 8 7/8s, 2015		159,000	172,515
Univision Communications, Inc. 144A sr. notes 6 7/8s, 2019		200,000	178,000
Vertis, Inc. company guaranty sr. notes 13 1/2s, 2014 (In default) † ‡		281,131	9,558
Wynn Las Vegas, LLC/Wynn Las Vegas Capital Corp. company guaranty 1st mtge. notes 7 3/4s, 2020		105,000	110,250