

PUTNAM MASTER INCOME TRUST
Form N-CSR
December 29, 2004

Putnam
Master Income
Trust

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:

ANNUAL REPORT ON PERFORMANCE AND OUTLOOK

10-31-04

[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 information about your fund's management team. Following the Outlook for Your Fund, we list any changes in your fund's Portfolio Leader and Portfolio Members during the prior year period, the current Portfolio Leader's and Portfolio Members' other fund management responsibilities at Putnam, and the dollar range of fund shares owned by these individuals.

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 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.

During the period covered by the following report, Putnam Master Income Trust delivered respectable results. In the following pages, the fund managers discuss fund performance, strategy, and their outlook for fiscal 2005.

Respectfully yours,

/S/ JOHN A. HILL

/S/ GEORGE PUTNAM, III

John A. Hill

George Putnam, III

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Chairman of the Trustees President of the Funds

December 15, 2004

Report from Fund Management

Fund highlights

- * During its fiscal year ended October 31, 2004, Putnam Master Income Trust had total returns of 11.20% at net asset value (NAV) and 7.93% at market price.
- * The fund's primary benchmark, the Lehman Government/Credit Bond Index, returned 5.57%. The fund's secondary benchmarks, the Citigroup Non-U.S. World Government Bond Index and the JP Morgan Global High Yield Index, returned 12.23% and 12.92%, respectively.
- * The average return for the fund's Lipper category, Flexible Income Funds (closed-end), was 11.31%.
- * See page 5 for details on two dividend adjustments made during the fiscal year.
- * See the Performance Summary beginning on page 8 for additional fund performance, comparative performance, and Lipper data.

TOTAL RETURN FOR
PERIODS ENDED 10/31/04

(inception 12/28/87)	NAV	Market price
1 year	11.20%	7.93%
5 years	48.24	53.41
Annual average	8.19	8.94
10 years	107.75	102.19
Annual average	7.59	7.29
Annual average (life of fund)	8.80	7.57

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

Performance commentary

After an exemplary showing during the first half of the fund's fiscal year, fixed-income returns fell sharply in the spring of 2004, but recovered in the final three months of the period. High-yield corporate bonds and emerging-market bonds had exceptional returns as the period came to a close, while higher-quality bonds had above-average performance. The fund's strategy of seeking returns from a variety of fixed-income sources enabled it to outperform its primary benchmark, based on results at NAV and market price. Results at NAV were in line

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with 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.

FUND PROFILE

Putnam Master Income Trust seeks high current income, consistent with preservation of capital, by investing in a portfolio that consists of U.S. investment-grade, corporate high-yield, and international fixed-income securities. The fund may be appropriate for investors seeking high current income, asset class diversification, or both.

Market overview

During the first six months of the period, global bond prices generally rose as yields, though somewhat volatile, generally moved downward. Bonds rallied in a flight to quality in early 2004, which came as a result of evidence that the U.S. recovery would not be as strong as anticipated, and because of geopolitical concerns surrounding the terrorist bombing in Spain. However, bond prices fell sharply in April and May on reports of strong job creation, increasing economic strength, and the Federal Reserve Board's suggestion that it would raise short-term interest rates. Subsequently, the Fed raised the federal funds rate, a key short-term interest-rate benchmark, by a quarter of a point on three occasions -- in June, August, and September. These rate hikes brought the federal funds rate to 1.75% at the end of the period. (The Fed raised rates again on November 10 to 2.00%.)

In Europe, low inflation reduced the likelihood of a rate increase by the European Central Bank, and European government bonds and agency securities produced solid returns that were further enhanced by the aforementioned flight to quality. However, although both U.S. Treasuries and European government bonds performed well, investors continued to seek out alternative bond sectors that could provide higher levels of income.

High-yield corporate bonds continued to benefit from declining default rates, offering an attractive yield advantage over government bonds, and healthier balance sheets as companies retired or refinanced debt. Emerging-market bond returns were extremely strong near the end of the period, with the JP Morgan Global Diversified Emerging Markets Index returning over 9% in the final three months alone.

MARKET SECTOR PERFORMANCE 12 MONTHS ENDED 10/31/04

Bonds

Lehman Government/Credit Bond Index (U.S. Treasury and agency securities and corporate bonds)	5.57%
--	-------

Lehman Aggregate Bond Index (broad bond market)	5.53%
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Citigroup Non-U.S. World Government Bond Index (international government bonds)	12.23%
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JP Morgan Global High Yield Index (global high-yield)	
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corporate bonds) 12.92%

Equities

S&P 500 Index (broad stock market) 9.42%

S&P/Citigroup World Ex-U.S. Primary Markets Growth Index
(international growth stocks) 17.38%

Russell 2000 Index (stocks of small and midsize companies) 11.73%

These indexes provide an overview of performance in different market sectors for the 12 months ended 10/31/04.

Strategy overview

One of the key elements of the fund's strategy throughout the past year has been to reduce the level of risk in the portfolio. In early 2004, we reduced the emerging-market weighting significantly and pared down the fund's allocation to high-yield bonds. We also increased the average credit quality of the fund's high-yield holdings by selling lower-quality bonds and buying bonds with higher ratings. (The high-yield sector, which is generally lower in quality than other sectors such as Treasuries, has several tiers of credit quality.) In addition, after increasing the fund's allocation to corporate investment-grade bonds early in the fiscal year, we reduced those holdings almost entirely by January 2004 after they had made a solid contribution to performance.

When bond prices declined sharply in April and May 2004, the fund's lower sensitivity to interest-rate changes was beneficial for relative returns. During the bond market's subsequent rally in July, August, and September, however, the fund underperformed its peers to some extent. However, stronger relative performance during the spring downturn more than offset the weaker relative gains late in the period.

The fund benefited from its yield curve strategy in the United States. As the Federal Reserve started to raise interest rates in June, the most significant market reaction occurred in shorter-dated bonds. These yields moved significantly higher as the Fed's policy of stable rates ended. While longer-dated maturities also moved to higher yields, the changes were more moderate. The fund was positioned in advance for the yield curve flattening, and benefited significantly over the last six months.

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

TOP SECTOR WEIGHTINGS COMPARED

	as of 4/30/04	as of 10/31/04
High yield	45.8%	41.8%
U.S. investment grade	36.5%	39.3%
International	17.7%	18.9%

Footnote reads:

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

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How fund holdings affected performance

While the mortgage-backed securities (MBS) sector was subject to prepayment concerns associated with low mortgage rates, the management team found two types of securities within this sector that performed well -- home equity loans and manufactured housing bonds. Home equity loans, unlike mortgages, are not highly susceptible to prepayments when interest rates decline, so rate declines can help boost the performance of securities backed by these loans. Similarly, holdings backed by manufactured housing companies have benefited from a positive change in perception about the industry since the beginning of the year as a result of improving fundamentals and continued low mortgage rates. Commercial mortgage-backed securities also made a strong contribution to the fund's returns, performing well in the declining interest-rate environment.

[GRAPHIC OMITTED: TOP HOLDINGS]

TOP HOLDINGS

(Percent of fund's net assets as of 10/31/04)

High-Yield Sector

- 1 PSF Group Holdings, Inc. (0.4%)
144A, Class A
- 2 Conseco Finance Securitizations Corp.
(0.4%)
Series 00-4, Class A6, 8.31%, 2032
- 3 Qwest Corp. (0.4%)
144A notes, 9.125%, 2012

International Sector

- 1 Germany (Federal Republic of) (1.2%)
Bonds, Ser. 97, 6%, 2007
- 2 France (Government of) (1.0%)
Bonds, 4s, 2013
- 3 Germany (Federal Republic of) (0.9%)
Bonds, Ser. 97, 6%, 2007

U.S. Investment-Grade Sector

- 1 Federal National Mortgage
Association (10.1%)
Pass-through certificates, 6.25%, TBA,
November 1, 2034
- 2 U.S. Government Treasury bonds (3.9%)
6.25%, May 15, 2030
- 3 Federal National Mortgage
Association (3.2%)
Pass-through certificates, 5%, TBA,
November 1, 2019

Footnote reads:

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These holdings represent 21.5% of the fund's net assets as of 10/31/04. The fund's holdings will change over time.

In the high-yield corporate bond portion of the fund, securities issued by subsidiaries of Edison International were among the strongest performers. Edison, which owns California's second-largest electric utility, Southern California Edison, also owns Edison Mission Energy. This subsidiary owns a portfolio of independent power plants located around the world. After poor performance in 2002, the company sold assets and shored up its balance sheet, which drove strong returns for a number of Edison Mission securities. Another top performer was diversified chemicals manufacturer Huntsman International, which benefited from a rebound in chemical prices. The company carries a significant debt load, but its cash flow has improved as commodity prices have risen. Finally, Williams Companies experienced significant capital appreciation as management strengthened the company's balance sheet by focusing on its core pipeline business, selling nonproductive assets, and paying down debt.

We sold the fund's high-yield holdings of Trico Marine, an energy service company that underperformed, and trimmed the fund's position in Dobson Communications, a wireless communications firm. Dobson has had poor financial performance, in part because of its reliance on revenues from AT&T Wireless, which has been struggling. Overall, however, the fund's high-yield corporate holdings made a significant positive contribution to its performance.

In emerging markets, the fund's holdings in Ecuador, Venezuela, and Brazil performed well, with each country allocation producing returns in excess of 20% for the 12-month period. In addition, the fund benefited from double-digit returns in Bulgaria and Colombia.

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 PREMIER INCOME TRUST PROPOSED

The fund's Trustees have approved the merger of your fund into Putnam Premier Income Trust. Putnam Premier Income Trust is a closed-end, multi-sector fixed-income fund whose objectives, strategy, and investments are substantially similar to those of your fund. The merger may result in lower expenses for shareholders of each fund due to the larger asset base of the combined fund. A prospectus/proxy statement containing more information about the proposed merger is expected to be sent to shareholders of each fund in December. Completion of the merger is subject to a number of conditions, including approval by shareholders of each fund at a joint shareholder meeting to be held on January 13, 2005.

This report is not an offer to sell, nor a solicitation of an offer to buy, shares of any fund, nor is it a solicitation of a proxy. To receive a free copy of the prospectus/proxy statement relating to the proposed merger (which contains important information about fees, expenses, and risk considerations), please call 1-800-255-1581. The prospectus/proxy statement is also available without charge on the SEC's Web site (www.sec.gov). Read the prospectus/proxy statement carefully before making any investment decisions.

DIVIDEND REDUCTION

Approximately 40% of the fund's portfolio is invested in high-yield

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securities, and this market has seen significant yield declines over the past several years. In addition, the fund's overall credit quality was upgraded from BBB to A, as the fund held more short-term investments, which paid a lower interest rate. Because the portfolio was strategically positioned for a rising interest-rate environment, the yield in the fund went down accordingly as the fund made an effort to provide income while preserving existing capital. For these reasons, the fund lowered its monthly dividend twice during the period, from \$0.042 to \$0.037 in January 2004, and from \$0.037 to \$0.032 in July 2004.

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 fund's returns during the past fiscal year remained significantly higher than the historical averages for the sectors in which it invests. Economic conditions, though varying considerably over the past year, have remained generally favorable for fixed-income investing, with low inflation and moderate growth. High-yield bonds continued to benefit from declining default rates and improving balance sheets, while emerging-market countries, many of which are exporters of energy and other commodities, have benefited from high commodity prices, especially the record-high levels in the price of oil. The Fed's well-communicated policy of a measured tightening of the federal funds rate, a key short-term interest-rate benchmark, has not disrupted bond prices.

While this positive environment could continue into 2005, we remain cautious for several reasons. First, we believe the high cost of energy may act like a tax on both businesses and consumers, reducing the incentive and the ability for both to continue spending. Second, geopolitical turmoil -- including the war in Iraq, the ongoing Israeli-Palestinian conflict, and terrorist threats from Al Qaeda -- remains a wild card, which could disrupt oil supplies and cause prices to rise even further. And third, since performance has been so strong for bonds, yields are low, and credit yield spreads (the difference between lower- and higher-quality bond yields) are tight. We believe it is unlikely that bond prices will move significantly higher (and yields lower) than their current levels. We therefore believe it is prudent to remain vigilant about any possible disruptions to global economies and fixed-income markets, keeping the fund positioned defensively, while remaining well diversified in a broad range of fixed-income sectors and securities.

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 government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk. 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.

Your fund's management

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Your fund is managed by the members of the Putnam Core Fixed-Income Team. D. William Kohli is the Portfolio Leader, and David Waldman is a Portfolio Member of your fund. The Portfolio Leader and Portfolio Member coordinate the team's management of the fund.

For a complete listing of the members of the Putnam Core Fixed-Income Team, including those who are not Portfolio Leaders or Portfolio Members of your fund, visit Putnam's Individual Investor Web site at www.putnaminvestments.com.

Fund ownership

The table below shows fund ownership, in dollar ranges, by the fund's Portfolio Leader and Portfolio Member. Information shown is for the current and prior year ended November 30.

----- FUND PORTFOLIO LEADER AND PORTFOLIO MEMBER -----						
Year	\$0	\$1 - \$10,000	\$10,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$500,000	\$500,001 \$1,000,000

D. William Kohli	2004	*				
Portfolio Leader	2003	*				
David Waldman	2004	*				
Portfolio Member	2003	*				

Other funds managed by the Portfolio Leader and Portfolio Member

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

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

D. William Kohli and David Waldman may also manage other accounts advised by Putnam Management or an affiliate.

Changes in your fund's Portfolio Leader and Portfolio Member

Your fund's Portfolio Leader and Portfolio Member did not change during the year ended October 31, 2004.

Performance summary

This section shows your fund's performance during its fiscal year, which ended October 31, 2004. In accordance with regulatory requirements, we

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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.

TOTAL RETURN FOR PERIODS ENDED 10/31/04

	NAV	Market price
1 year	11.20%	7.93%
5 years	48.24	53.41
Annual average	8.19	8.94
10 years	107.75	102.19
Annual average	7.59	7.29
Annual average Life of fund (since 12/28/87)	8.80	7.57

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

COMPARATIVE INDEX RETURNS FOR PERIODS ENDED 10/31/04

	Lehman Government/ Credit Bond Index	Citigroup Non-U.S. World Government Bond Index	JP Morgan Global High Yield Index*	Lipper Flexible Income Funds (closed-end) category average+
1 year	5.57%	12.23%	12.92%	11.31%
5 years	46.09	40.40	44.21	41.59
Annual average	7.88	7.02	7.60	7.04
10 years	113.16	86.08	121.96	112.93
Annual average	7.86	6.41	8.30	7.72
Annual average Life of fund (since 12/28/87)	8.22	7.18	--	8.62

Index and Lipper results should be compared to fund performance at net asset value.

* The JP Morgan Global High Yield Index's inception date was 12/31/93.

+ Over the 1-, 5-, and 10-year periods ended 10/31/04, there were 10 funds (for each time period) in this Lipper category.

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PRICE AND DISTRIBUTION INFORMATION 12 MONTHS ENDED 10/31/04

Distributions (number)	12	
Income	\$0.571	
Capital gains	--	
Total	\$0.571	
Share value:	NAV	Market price
10/31/03	\$7.18	\$6.57
10/31/04	7.33	6.51
Current return (end of period)		
Current dividend rate 1	5.24%	5.90%

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

TOTAL RETURN FOR PERIODS ENDED 9/30/04 (MOST RECENT CALENDER QUARTER)

	NAV	Market price
1 year	10.77%	3.91%
5 years	46.20	47.64
Annual average	7.89	8.10
10 years	105.44	106.57
Annual average	7.47	7.52
Annual average Life of fund (since 12/28/87)	8.75	7.49

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

Comparative indexes

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Citigroup Non-U.S. World Government Bond Index is an unmanaged index of government bonds from 10 countries.

JP Morgan Global High Yield Index is an unmanaged index used to mirror the investable universe of the U.S. dollar global high-yield corporate debt market of both developed and emerging markets.

Lehman Aggregate Bond Index is an unmanaged index used as a general measure of U.S. fixed-income securities.

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

Russell 2000 Index is an unmanaged index of common stocks that generally measure performance of small to midsize companies within the Russell 3000 Index.

S&P/Citigroup World Ex-U.S. Primary Markets Growth Index is an unmanaged index of mostly large- and some small-capitalization stocks from developed countries excluding the United States chosen for their growth orientation.

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.

Putnam's policy on confidentiality

In order to conduct business with our shareholders, we must obtain certain personal information such as account holders' addresses, telephone numbers, Social Security numbers, and the names of their financial advisors. We use this information to assign an account number and to help us maintain accurate records of transactions and account balances.

It is our policy to protect the confidentiality of your information, whether or not you currently own shares of our funds, and in particular, 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 share this information with outside vendors who provide services to us, such as mailing and proxy solicitation. In those 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. We may also share this information with our Putnam affiliates to service your account or provide you with information about other Putnam products or services. It is also our policy to share account information with your financial advisor, if you've listed one on your Putnam account.

If you would like clarification about our confidentiality policies or

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have any questions or concerns, please don't hesitate to contact us at 1-800-225-1581, Monday through Friday, 8:30 a.m. to 7:00 p.m., or Saturdays from 9:00 a.m. to 5:00 p.m. Eastern Time.

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, and on the SEC's Web site, 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. 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.

Report of Independent Registered Public Accounting Firm

The Board of Trustees and Shareholders Putnam Master Income Trust:

We have audited the accompanying statement of assets and liabilities of Putnam Master Income Trust, including the fund's portfolio, as of October 31, 2004, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the 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 October 31, 2004, 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 Income Trust as of October 31, 2004, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended in conformity with accounting principles generally accepted in the United States of America.

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KPMG LLP

Boston, Massachusetts

December 8, 2004

The fund's portfolio

October 31, 2004

Corporate bonds and notes (38.0%) (a)

Principal amount

Value

Basic Materials (4.2%)

Principal amount	Value
\$325,000 Acetex Corp. sr. notes 10 7/8s, 2009 (Canada)	\$355,875
280,000 AK Steel Corp. company guaranty 7 7/8s, 2009	284,200
345,000 AK Steel Corp. company guaranty 7 3/4s, 2012	349,313
17,000 Avecia Group PLC company guaranty 11s, 2009 (United Kingdom)	15,980
395,000 BCP Caylux Holdings Luxembourg SCA 144A sr. sub. notes 9 5/8s, 2014 (Luxembourg)	442,400
300,000 Boise Cascade, LLC 144A sr. sub. notes 7 1/8s, 2014	313,142
156,000 Century Aluminum Co. 144A company guaranty 7 1/2s, 2014	165,360
265,000 Codelco, Inc. 144A sr. notes 4 3/4s, 2014 (Chile)	260,889
390,000 Compass Minerals Group, Inc. company guaranty 10s, 2011	437,775
155,000 Compass Minerals International, Inc. sr. disc. notes stepped-coupon zero % (12s, 6/1/08), 2013 (STP)	122,450
420,000 Compass Minerals International, Inc. sr. notes stepped-coupon zero % (12 3/4s, 12/15/07), 2012 (STP)	352,800
283,000 Crystal US Holdings, LLC/US Sub 3 Corp. 144A sr. disc. notes stepped-coupon zero % (10s, 10/1/09), 2014 (STP)	178,998
415,000 Dow Chemical Co. (The) notes 5 3/4s, 2009	447,083
115,000 Equistar Chemicals LP notes 8 3/4s, 2009	126,500
910,000 Equistar Chemicals LP/Equistar Funding Corp. company guaranty 10 1/8s, 2008	1,041,950
240,000 Georgia-Pacific Corp. bonds 7 3/4s, 2029	265,200
500,000 Georgia-Pacific Corp. debs. 7.7s, 2015	576,250
45,000 Georgia-Pacific Corp. sr. notes 8s, 2024	52,088
365,000 Gerdau Ameristeel Corp. sr. notes 10 3/8s, 2011 (Canada)	421,575
550,000 Hercules, Inc. company guaranty 11 1/8s, 2007	665,500
105,000 Huntsman Advanced Materials, LLC	

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	144A sec. FRN 11.86s, 2008	112,350
	125,000 Huntsman Advanced Materials, LLC	
	144A sec. notes 11s, 2010	144,375
	426,000 Huntsman Co., LLC sr. disc. notes	
	zero %, 2008	272,640
	278,000 Huntsman ICI Chemicals, Inc. company	
	guaranty 10 1/8s, 2009	292,248
	845,000 Huntsman ICI Holdings sr. disc.	
	notes zero %, 2009	458,413
EUR	212,000 Huntsman International, LLC sr. sub.	
	notes Ser. EXCH, 10 1/8s, 2009	283,125
	\$215,000 Huntsman, LLC company guaranty	
	11 5/8s, 2010	253,431
	160,000 Huntsman, LLC 144A company guaranty	
	11 1/2s, 2012	180,000
	126,000 Innophos, Inc. 144A sr. sub. notes	
	8 7/8s, 2014	135,765
	70,000 International Steel Group, Inc. sr.	
	notes 6 1/2s, 2014	74,900
	765,000 ISP Chemco, Inc. company guaranty	
	Ser. B, 10 1/4s, 2011	851,063
	20,000 Jefferson Smurfit Corp. company	
	guaranty 7 1/2s, 2013	21,800
	105,000 Jefferson Smurfit Corp. company	
	guaranty company guaranty 8 1/4s,	
	2012	116,550
	30,000 Kaiser Aluminum & Chemical Corp. sr.	
	notes Ser. B, 10 7/8s, 2006 (In	
	default) (NON)	28,050
	40,000 Lyondell Chemical Co. bonds 11 1/8s,	
	2012	47,150
	400,000 Lyondell Chemical Co. company	
	guaranty 9 1/2s, 2008	436,000
	320,000 Lyondell Chemical Co. notes Ser. A,	
	9 5/8s, 2007	351,200
	45,000 MDP Acquisitions PLC sr. notes	
	9 5/8s, 2012 (Ireland)	51,300
EUR	235,000 MDP Acquisitions PLC sr. notes	
	Ser. EUR, 10 1/8s, 2012 (Ireland)	337,902
	\$203,230 MDP Acquisitions PLC sub. notes	
	15 1/2s, 2013 (Ireland) (PIK)	236,763
	740,000 Millennium America, Inc. company	
	guaranty 9 1/4s, 2008	825,100
EUR	40,000 Nalco Co. sr. notes 7 3/4s, 2011	54,590
EUR	40,000 Nalco Co. sr. sub. notes 9s, 2013	53,954
	\$565,000 Nalco Co. sr. sub. notes 8 7/8s,	
	2013	619,381
	305,000 Norske Skog Canada, Ltd. sr. notes	
	7 3/8s, 2014 (Canada)	317,200
	233,383 PCI Chemicals Canada sec. sr. notes	
	10s, 2008 (Canada)	240,384
	73,902 Pioneer Companies, Inc. sec. FRN	
	5.475s, 2006	74,272
	70,000 Resolution Performance Products, LLC	
	sr. notes 9 1/2s, 2010	72,975
EUR	235,000 SGL Carbon SA 144A sr. notes 8 1/2s,	
	2012 (Luxembourg)	318,026
	\$370,000 Steel Dynamics, Inc. company	
	guaranty 9 1/2s, 2009	408,850
	81,826 Sterling Chemicals, Inc. sec. notes	
	10s, 2007 (PIK)	80,189
	305,000 Stone Container Corp. sr. notes	

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	9 3/4s, 2011	342,363
120,000	Stone Container Corp. sr. notes 8 3/8s, 2012	132,600
80,000	Stone Container Finance 144A company guaranty 7 3/8s, 2014 (Canada)	85,400
475,000	Ucar Finance, Inc. company guaranty 10 1/4s, 2012	541,500
215,000	United Agri Products 144A sr. notes 8 1/4s, 2011	232,200
274,000	United States Steel Corp. sr. notes 9 3/4s, 2010	313,730
22,805	Wheeling-Pittsburgh Steel Corp. sr. notes 6s, 2010	16,648
44,328	Wheeling-Pittsburgh Steel Corp. sr. notes 5s, 2011	32,359
105,000	WHX Corp. sr. notes 10 1/2s, 2005	97,650

		16,419,724
Capital Goods (3.0%)		

280,000	AEP Industries, Inc. sr. sub. notes 9 7/8s, 2007	285,250
520,612	Air2 US 144A sinking fund Ser. D, 12.266s, 2020 (In default) (NON)	5
645,000	Allied Waste North America, Inc. company guaranty Ser. B, 8 1/2s, 2008	677,250
93,000	Allied Waste North America, Inc. sec. notes 6 1/2s, 2010	89,513
169,000	Amsted Industries, Inc. 144A sr. notes 10 1/4s, 2011	185,900
295,000	Argo-Tech Corp. 144A sr. notes 9 1/4s, 2011	321,550
335,000	BE Aerospace, Inc. sr. sub. notes 9 1/2s, 2008	345,609
245,000	BE Aerospace, Inc. sr. sub. notes Ser. B, 8s, 2008	247,450
70,000	Berry Plastics Corp. company guaranty 10 3/4s, 2012	80,500
252,000	Blount, Inc. sr. sub. notes 8 7/8s, 2012	274,365
350,000	Browning-Ferris Industries, Inc. debs. 7.4s, 2035	301,000
398,000	Browning-Ferris Industries, Inc. sr. notes 6 3/8s, 2008	393,025
EUR	58,000 Crown Euro Holdings SA 144A notes 6 1/4s, 2011 (France)	75,024
EUR	45,000 Crown Holdings SA bonds 10 1/4s, 2011 (France)	65,248
\$475,000	Crown Holdings SA notes 10 7/8s, 2013 (France)	564,063
152,000	Crown Holdings SA notes 9 1/2s, 2011 (France)	173,280
991,000	Decrane Aircraft Holdings Co. company guaranty zero %, 2008	376,580
380,000	Earle M. Jorgensen Co. sec. notes 9 3/4s, 2012	420,850
333,000	FIMEP SA sr. notes 10 1/2s, 2013 (France)	389,610
EUR	195,000 Flender Holdings 144A sr. notes 11s, 2010 (Germany)	292,540

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	297,000 Flowserve Corp. company guaranty 12 1/4s, 2010	333,383
	365,000 Hexcel Corp. sr. sub. notes 9 3/4s, 2009	383,250
	505,000 Invensys, PLC notes 9 7/8s, 2011 (United Kingdom)	527,725
	275,000 K&F Industries, Inc. sr. sub. notes Ser. B, 9 5/8s, 2010	319,000
	120,000 L-3 Communications Corp. company guaranty 7 5/8s, 2012	132,600
	220,000 L-3 Communications Corp. company guaranty 6 1/8s, 2013	228,250
	385,000 Legrand SA debs. 8 1/2s, 2025 (France)	441,788
	40,000 Manitowoc Co., Inc. (The) company guaranty 10 1/2s, 2012	46,150
EUR	95,000 Manitowoc Co., Inc. (The) company guaranty 10 3/8s, 2011	134,726
	\$120,000 Manitowoc Co., Inc. (The) sr. notes 7 1/8s, 2013	128,700
	115,000 Mueller Group, Inc. sec. FRN 6.444, 2011	118,450
	140,000 Mueller Group, Inc. sr. sub. notes 10s, 2012	151,200
	300,000 Owens-Brockway Glass company guaranty 8 1/4s, 2013	330,000
	280,000 Owens-Brockway Glass company guaranty 7 3/4s, 2011	304,500
	565,000 Owens-Brockway Glass sr. sec. notes 8 3/4s, 2012	637,038
	275,000 Pliant Corp. sec. notes 11 1/8s, 2009	295,625
	139,000 Ploypore, Inc. 144A sr. sub. notes 8 3/4s, 2012	145,255
	630,000 Sequa Corp. sr. notes 9s, 2009	702,450
	125,000 Siebe PLC 144A sr. unsub. 6 1/2s, 2010 (United Kingdom)	115,938
	107,000 Solo Cup Co. sr. sub. notes 8 1/2s, 2014	105,128
	57,000 Tekni-Plex, Inc. company guaranty Ser. B, 12 3/4s, 2010	43,035
	245,000 Tekni-Plex, Inc. 144A sr. sec. notes 8 3/4s, 2013	233,669
	100,000 Terex Corp. company guaranty 9 1/4s, 2011	112,000
	380,000 Terex Corp. company guaranty Ser. B, 10 3/8s, 2011	429,400
		----- 11,957,872
 Communication Services (3.1%)		
	173,000 Alamosa Delaware, Inc. company guaranty 11s, 2010	200,680
	145,000 Alamosa Delaware, Inc. company guaranty stepped-coupon zero % (12s, 7/31/05), 2009 (STP)	154,425
	170,000 Alamosa Delaware, Inc. sr. notes 8 1/2s, 2012	180,200
	105,000 American Cellular Corp. company guaranty 9 1/2s, 2009	87,675
	195,000 American Tower Corp. sr. notes	

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	7 1/2s, 2012	203,775
405,000	American Towers, Inc. company guaranty 7 1/4s, 2011	430,313
300,000	Asia Global Crossing, Ltd. sr. notes 13 3/8s, 2010 (Bermuda) (In default) (NON)	24,000
475,000	Centennial Cellular Operating Co. company guaranty 10 1/8s, 2013	515,375
80,000	Cincinnati Bell Telephone Co. company guaranty 6.3s, 2028	70,000
23,000	Cincinnati Bell, Inc. company guaranty 7 1/4s, 2013	23,058
440,000	Cincinnati Bell, Inc. sr. sub. notes 8 3/8s, 2014	420,200
215,000	Cincinnati Bell, Inc. sr. sub. notes 7 1/4s, 2023	197,800
566,000	Citizens Communications Co. notes 9 1/4s, 2011	650,900
191,573	Colo.com, Inc. 144A sr. notes 13 7/8s, 2010 (In default) (NON)	19
410,000	Crown Castle International Corp. sr. notes 9 3/8s, 2011	465,350
140,000	Eircom Funding notes 8 1/4s, 2013 (Ireland)	155,750
210,000	Fairpoint Communications, Inc. sr. sub. notes 12 1/2s, 2010	224,700
186,311	Firstworld Communication Corp. sr. disc. notes zero %, 2008 (In default) (NON)	19
117,944	Globix Corp. company guaranty 11s, 2008 (PIK)	107,329
455,000	Inmarsat Finance PLC company guaranty 7 5/8s, 2012 (United Kingdom)	459,550
160,000	iPCS, Inc. 144A sr. notes 11 1/2s, 2012	174,400
300,000	Level 3 Financing, Inc. 144A sr. notes 10 3/4s, 2011	258,000
390,000	Madison River Capital Corp. sr. notes 13 1/4s, 2010	415,350
557,000	MCI, Inc. sr. notes 7.735s, 2014	536,809
137,000	MCI, Inc. sr. notes 6.688s, 2009	135,116
3,000	MCI, Inc. sr. notes 5.908s, 2007	2,993
795,000	Nextel Communications, Inc. sr. notes 7 3/8s, 2015	882,450
840,000	Nextel Communications, Inc. sr. notes 5.95s, 2014	858,900
20,000	Nextel Partners, Inc. sr. notes 12 1/2s, 2009	23,050
675,000	Nextel Partners, Inc. sr. notes 8 1/8s, 2011	739,125
264,000	Qwest Communications International, Inc. 144A sr. notes 7 1/2s, 2014	254,760
1,300,000	Qwest Corp. 144A notes 9 1/8s, 2012	1,465,750
195,000	Qwest Services Corp. 144A notes 14 1/2s, 2014	241,800
95,000	Rogers Cantel, Ltd. debs. 9 3/4s, 2016 (Canada)	109,250
145,000	Rogers Wireless, Inc. sec. notes 9 5/8s, 2011 (Canada)	165,300
170,000	Rural Cellular Corp. sr. sub. notes 9 3/4s, 2010	146,200

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175,000	SBA Telecommunications Inc./SBA Communication Corp. sr. disc. notes stepped-coupon zero % (9 3/4s, 12/15/07), 2011 (STP)	147,438
365,000	TSI Telecommunication Services, Inc. company guaranty Ser. B, 12 3/4s, 2009	408,800
195,000	UbiquiTel Operating Co. sr. notes 9 7/8s, 2011	211,088
128,000	UbiquiTel Operating Co. 144A sr. notes 9 7/8s, 2011	138,560
290,000	Western Wireless Corp. sr. notes 9 1/4s, 2013	308,850

		12,195,107

Consumer Cyclical (8.6%)

121,000	Advertising Direct 144A sr. notes 9 1/4s, 2012 (Canada)	126,294
155,000	Ameristar Casinos, Inc. company guaranty 10 3/4s, 2009	176,700
350,000	Argosy Gaming Co. sr. sub. notes 7s, 2014	372,750
240,000	Asbury Automotive Group, Inc. sr. sub. notes 8s, 2014	234,000
475,000	Autonation, Inc. company guaranty 9s, 2008	546,250
80,000	Beazer Homes USA, Inc. company guaranty 8 3/8s, 2012	88,200
315,000	Boyd Gaming Corp. sr. sub. notes 8 3/4s, 2012	354,375
85,000	Boyd Gaming Corp. sr. sub. notes 7 3/4s, 2012	93,713
75,000	Boyd Gaming Corp. sr. sub. notes 6 3/4s, 2014	78,656
180,000	Building Materials Corp. company guaranty 8s, 2008	184,050
190,000	Chumash Casino & Resort Enterprise 144A sr. notes 9s, 2010	212,800
650,000	Coinmach Corp. sr. notes 9s, 2010	672,750
420,000	Collins & Aikman Products company guaranty 10 3/4s, 2011	420,000
55,000	D.R. Horton, Inc. company guaranty 8s, 2009	62,013
350,000	D.R. Horton, Inc. sr. notes 7 7/8s, 2011	399,000
80,000	D.R. Horton, Inc. sr. notes 6 7/8s, 2013	86,200
220,000	D.R. Horton, Inc. sr. notes 5 7/8s, 2013	220,550
90,000	Dana Corp. notes 10 1/8s, 2010	101,475
300,000	Dana Corp. notes 9s, 2011	356,250
50,000	Dana Corp. notes 7s, 2029	49,000
155,000	Dana Corp. notes 6 1/2s, 2009	163,138
305,000	Dayton Superior Corp. sec. notes 10 3/4s, 2008	324,825
85,000	Delco Remy International, Inc. company guaranty 11s, 2009	89,250
285,000	Delco Remy International, Inc. sr. sub. notes 9 3/8s, 2012	282,863
240,472	Derby Cycle Corp. (The) sr. notes	

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	10s, 2008 (In default) (NON)	24
DEM	688,142 Derby Cycle Corp. (The) sr. notes	
	9 3/8s, 2008 (In default) (NON)	45
\$600,000	Dex Media West, LLC/Dex Media	
	Finance Co. sr. notes Ser. B,	
	8 1/2s, 2010	684,000
275,000	Dex Media, Inc. disc. notes zero %, 2013	209,000
310,000	Dex Media, Inc. notes 8s, 2013	331,700
100,000	Dura Operating Corp. company guaranty Ser. B, 8 5/8s, 2012	103,125
19,000	FelCor Lodging LP company guaranty 10s, 2008 (R)	19,950
121,000	FelCor Lodging LP company guaranty 9s, 2008 (R)	136,125
260,000	Finlay Fine Jewelry Corp. sr. notes 8 3/8s, 2012	284,050
375,000	Gaylord Entertainment Co. sr. notes 8s, 2013	404,063
770,000	Goodyear Tire & Rubber Co. (The) notes 7.857s, 2011	729,575
110,000	Goodyear Tire & Rubber Co. (The) notes 6 3/8s, 2008	106,700
153,000	HMH Properties, Inc. company guaranty Ser. B, 7 7/8s, 2008 (R)	157,208
753,572	Hollinger Participation Trust 144A sr. notes 12 1/8s, 2010 (Canada) (PIK)	949,501
530,000	Hollywood Park, Inc. company guaranty Ser. B, 9 1/4s, 2007	547,225
151,000	Host Marriott LP sr. notes Ser. E, 8 3/8s, 2006 (R)	159,305
410,000	Host Marriott LP 144A sr. notes 7s, 2012 R	442,800
180,000	Houghton Mifflin Co. sr. sub. notes 9 7/8s, 2013	195,300
454,000	Icon Health & Fitness company guaranty 11 1/4s, 2012	376,820
345,000	IESI Corp. company guaranty 10 1/4s, 2012	372,600
150,000	Inn of the Mountain Gods sr. notes 12s, 2010	174,000
275,000	ITT Corp. debs. 7 3/8s, 2015	310,750
320,000	ITT Corp. notes 6 3/4s, 2005	329,600
515,000	JC Penney Co., Inc. debs. 7.95s, 2017	596,113
95,000	JC Penney Co., Inc. debs. 7.65s, 2016	107,825
235,000	JC Penney Co., Inc. debs. 7 1/8s, 2023	250,863
15,000	JC Penney Co., Inc. notes 8s, 2010	17,175
841,000	John Q. Hammons Hotels LP/John Q. Hammons Hotels Finance Corp. III 1st mtge. Ser. B, 8 7/8s, 2012	967,150
283,000	Jostens Holding Corp. sr. disc. notes stepped-coupon zero % (10 1/4s, 12/1/08), 2013 (STP)	199,515
617,000	Jostens IH Corp. 144A company guaranty 7 5/8s, 2012	638,595
75,000	K. Hovnanian Enterprises, Inc. company guaranty 10 1/2s, 2007	86,625
310,000	K. Hovnanian Enterprises, Inc.	

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	company guaranty 8 7/8s, 2012	345,650
205,000	K. Hovnanian Enterprises, Inc. company guaranty 6 3/8s, 2014	207,563
160,000	K. Hovnanian Enterprises, Inc. sr. notes 6 1/2s, 2014	164,000
190,000	K2, Inc. 144A sr. notes 7 3/8s, 2014	207,100
720,000	Laidlaw International, Inc. sr. notes 10 3/4s, 2011	828,000
305,000	Lamar Media Corp. company guaranty 7 1/4s, 2013	330,925
541,000	Levi Strauss & Co. sr. notes 12 1/4s, 2012	558,583
235,000	Mandalay Resort Group sr. notes 6 3/8s, 2011	244,694
380,000	MeriStar Hospital Corp. company guaranty 9 1/8s, 2011 (R)	404,700
205,000	MeriStar Hospital Corp. company guaranty 9s, 2008 (R)	215,250
160,000	Meritage Corp. company guaranty 9 3/4s, 2011	178,400
85,000	Meritage Corp. sr. notes 7s, 2014	87,231
215,000	Meritor Automotive, Inc. notes 6.8s, 2009	219,300
240,000	Metaldyne Corp. 144A sr. notes 10s, 2013	229,200
425,000	MGM Mirage, Inc. company guaranty 8 1/2s, 2010	488,750
260,000	MGM Mirage, Inc. company guaranty 6s, 2009	269,100
96,000	Mirage Resorts, Inc. debs. 7 1/4s, 2017	99,840
231,000	Mohegan Tribal Gaming Authority sr. sub. notes 6 3/8s, 2009	241,973
115,000	Owens Corning bonds 7 1/2s, 2018 (In default) (NON)	56,350
460,000	Owens Corning notes 7 1/2s, 2005 (In default) (NON)	225,400
245,000	Oxford Industries, Inc. sr. notes 8 7/8s, 2011	264,600
490,000	Park Place Entertainment Corp. sr. notes 7 1/2s, 2009	554,925
265,000	Park Place Entertainment Corp. sr. notes 7s, 2013	297,794
200,000	Park Place Entertainment Corp. sr. sub. notes 8 7/8s, 2008	230,250
500,000	Penn National Gaming, Inc. sr. sub. notes 8 7/8s, 2010	551,250
120,000	Phillips-Van Heusen Corp. sr. notes 7 1/4s, 2011	125,700
300,000	Pinnacle Entertainment, Inc. sr. sub. notes 8 3/4s, 2013	318,750
135,000	Pinnacle Entertainment, Inc. sr. sub. notes 8 1/4s, 2012	139,388
590,000	PRIMEDIA, Inc. company guaranty 8 7/8s, 2011	615,075
435,000	PRIMEDIA, Inc. 144A sr. notes 8s, 2013	436,088
195,000	Reader's Digest Association, Inc. (The) sr. notes 6 1/2s, 2011	202,313
375,000	Resorts International Hotel and Casino, Inc. company guaranty 11 1/2s, 2009	432,188

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	70,000 RH Donnelley Finance Corp. I company guaranty 8 7/8s, 2010	79,450
	500,000 RH Donnelley Finance Corp. I 144A sr. notes 8 7/8s, 2010	567,500
	250,000 RH Donnelley Finance Corp. I 144A sr. sub. notes 10 7/8s, 2012	305,625
	360,000 Russell Corp. company guaranty 9 1/4s, 2010	387,000
	597,000 Saks, Inc. company guaranty 7s, 2013	605,955
	640,000 Samsonite Corp. sr. sub. notes 8 7/8s, 2011	681,600
	210,000 Schuler Homes, Inc. company guaranty 10 1/2s, 2011	241,500
	585,000 Sealy Mattress Co. sr. sub. notes 8 1/4s, 2014	618,638
	225,000 Standard Pacific Corp. sr. notes 7 3/4s, 2013	245,250
	25,000 Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 7/8s, 2012	29,313
	210,000 Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 3/8s, 2007	226,013
	245,000 Station Casinos, Inc. sr. notes 6s, 2012	256,025
	275,000 Station Casinos, Inc. sr. sub. notes 6 7/8s, 2016	292,188
	180,000 Technical Olympic USA, Inc. company guaranty 10 3/8s, 2012	202,500
	120,000 Technical Olympic USA, Inc. company guaranty 9s, 2010	130,800
EUR	80,000 Teksid Aluminum 144A company guaranty 11 3/8s, 2011 (Luxembourg)	89,287
	\$410,000 Tenneco Automotive, Inc. sec. notes Ser. B, 10 1/4s, 2013	477,650
	281,000 THL Buildco, Inc. (Nortek, Inc.) 144A sr. sub. notes 8 1/2s, 2014	297,860
	655,000 Trump Atlantic City Associates company guaranty 11 1/4s, 2006	574,763
	270,000 United Auto Group, Inc. company guaranty 9 5/8s, 2012	300,375
	470,000 Vertis, Inc. company guaranty Ser. B, 10 7/8s, 2009	512,300
	390,000 Vertis, Inc. 144A sub. notes 13 1/2s, 2009	405,600
	435,000 WCI Communities, Inc. company guaranty 9 1/8s, 2012	483,938
	214,000 William Carter Holdings Co. (The) company guaranty Ser. B, 10 7/8s, 2011	245,030
	295,000 WRC Media Corp. sr. sub. notes 12 3/4s, 2009	277,669
	36,000 Yell Finance BV sr. notes 10 3/4s, 2011 (Netherlands)	41,346

		33,927,934
Consumer Staples (5.0%)		
	50,000 Adelphia Communications Corp. notes Ser. B, 9 7/8s, 2005 (In default) (NON)	42,750
	250,000 Adelphia Communications Corp. sr. notes 10 7/8s, 2010 (In default)	

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	(NON)	218,125
30,000	Adelphia Communications Corp. sr. notes 9 3/8s, 2009 (In default)	
	(NON)	26,250
110,000	Adelphia Communications Corp. sr. notes Ser. B, 9 7/8s, 2007 (In default) (NON)	94,050
405,000	Adelphia Communications Corp. sr. notes Ser. B, 7 3/4s, 2009 (In default) (NON)	339,188
290,000	Affinity Group, Inc. sr. sub. notes 9s, 2012	310,300
350,000	AMC Entertainment, Inc. sr. sub. notes 9 7/8s, 2012	374,500
295,000	AMC Entertainment, Inc. 144A sr. sub. notes 8s, 2014	283,200
104,050	Archibald Candy Corp. company guaranty 10s, 2007 (In default) (NON) (PIK)	41,620
350,000	Armkel, LLC/Armkel Finance sr. sub. notes 9 1/2s, 2009	381,063
140,000	ASG Consolidated LLC/ASG Finance, Inc. 144A sr. disc. notes stepped-coupon zero % (11 1/2s, 11/1/08), 2011	89,250
300,000	Brand Services, Inc. company guaranty 12s, 2012	336,000
265,000	Capital Records, Inc. 144A company guaranty 8 3/8s, 2009	295,475
225,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (12 1/8s, 1/15/07), 2012 (STP)	132,188
285,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (11 3/4s, 5/15/06), 2011 (STP)	183,825
300,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 11 1/8s, 2011	250,500
440,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 3/4s, 2009	371,800
225,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 1/4s, 2010	184,500
955,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10s, 2011	764,000
50,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 8 5/8s, 2009	40,250
350,000	Cinemark USA, Inc. sr. sub. notes 9s, 2013	395,500
530,000	Cinemark, Inc. sr. disc. notes stepped-coupon zero % (9 3/4s, 3/15/09), 2014 (STP)	374,975
210,000	Constellation Brands, Inc. sr. sub. notes Ser. B, 8 1/8s, 2012	229,950
230,000	CSC Holdings, Inc. debs. 7 5/8s, 2018	244,663
202,000	CSC Holdings, Inc. sr. notes Ser. B,	

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	7 5/8s, 2011	219,675
548,000	CSC Holdings, Inc. 144A sr. notes 6 3/4s, 2012	567,180
347,000	Dean Foods Co. sr. notes 6 5/8s, 2009	365,218
120,000	Del Monte Corp. company guaranty Ser. B, 9 1/4s, 2011	132,600
305,000	Del Monte Corp. sr. sub. notes 8 5/8s, 2012	343,888
1,162,000	Diva Systems Corp. sr. disc. notes Ser. B, 12 5/8s, 2008 (In default) (NON)	5,084
430,000	Doane Pet Care Co. sr. sub. debs. 9 3/4s, 2007	427,850
145,000	Dole Food Co. sr. notes 8 7/8s, 2011	160,588
105,000	Dole Food Co. sr. notes 8 5/8s, 2009	116,288
266,000	Domino's, Inc. sr. sub. notes 8 1/4s, 2011	291,270
400,000	Echostar DBS Corp. sr. notes 6 3/8s, 2011	414,500
383,000	Echostar DBS Corp. 144A company guaranty 6 5/8s, 2014	388,745
174,000	Elizabeth Arden, Inc. company guaranty 7 3/4s, 2014	185,528
718,000	Granite Broadcasting Corp. sec. notes 9 3/4s, 2010	662,355
195,000	Jean Coutu Group, Inc. 144A sr. notes 7 5/8s, 2012 (Canada)	206,213
385,000	Jean Coutu Group, Inc. 144A sr. sub. notes 8 1/2s, 2014 (Canada)	392,700
480,000	Kabel Deutsheland GmbH 144A sr. notes 10 5/8s, 2014 (Germany)	537,600
20,707	Knology, Inc. 144A sr. notes 12s, 2009 (PIK)	19,879
105,000	Land O'Lakes, Inc. sr. notes 8 3/4s, 2011	97,388
490,000	News America Holdings, Inc. company guaranty 9 1/4s, 2013	634,111
195,000	North Atlantic Trading Co. sr. notes 9 1/4s, 2012	189,150
453,000	Pinnacle Foods Holding Corp. 144A sr. sub. notes 8 1/4s, 2013	428,085
78,000	Pinnacle Foods Holding Corp. 144A sr. sub. notes 8 1/4s, 2013	73,710
445,000	Playtex Products, Inc. company guaranty 9 3/8s, 2011	468,363
415,000	Playtex Products, Inc. sec. notes 8s, 2011	453,388
405,000	Prestige Brands, Inc. 144A sr. sub. notes 9 1/4s, 2012	409,050
10,000	Quebecor Media, Inc. sr. disc. notes stepped-coupon zero % (13 3/4s, 7/15/06), 2011 (Canada) (STP)	9,700
305,000	Quebecor Media, Inc. sr. notes 11 1/8s, 2011 (Canada)	353,038
391,000	Rainbow National Services, LLC 144A sr. notes 8 3/4s, 2012	418,370
405,000	Remington Arms Co., Inc. company guaranty 10 1/2s, 2011	358,425
305,000	Rite Aid Corp. company guaranty 9 1/2s, 2011	337,788
20,000	Rite Aid Corp. debs. 6 7/8s, 2013	17,900

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40,000	Rite Aid Corp. notes 7 1/8s, 2007	40,400
205,000	Rite Aid Corp. sec. notes 8 1/8s, 2010	218,838
270,000	Rite Aid Corp. sr. notes 9 1/4s, 2013	281,475
20,000	Rite Aid Corp. 144A notes 6s, 2005	20,200
470,000	Sbarro, Inc. company guaranty 11s, 2009	445,913
140,000	Scotts Co. (The) sr. sub. notes 6 5/8s, 2013	147,700
527,000	Six Flags, Inc. sr. notes 9 5/8s, 2014	503,285
397,000	Six Flags, Inc. sr. notes 8 7/8s, 2010	383,105
202,000	United Rentals (North America), Inc. company guaranty 6 1/2s, 2012	199,980
155,000	Videotron Ltee company guaranty 6 7/8s, 2014 (Canada)	162,750
540,000	Vivendi Universal SA sr. notes 6 1/4s, 2008 (France)	587,250
390,000	Williams Scotsman, Inc. company guaranty 9 7/8s, 2007	374,400
404,000	Young Broadcasting, Inc. company guaranty 10s, 2011	424,200
200,000	Young Broadcasting, Inc. sr. sub. notes 8 3/4s, 2014	194,000

		19,673,045

Energy (4.0%)

540,000	Arch Western Finance, LLC sr. notes 6 3/4s, 2013	573,750
185,000	Arch Western Finance, LLC 144A sr. notes 6 3/4s, 2013	196,563
115,000	Belden & Blake Corp. 144A sec. notes 8 3/4s, 2012	124,200
263,000	Bluewater Finance, Ltd. company guaranty 10 1/4s, 2012 (Cayman Islands)	290,615
350,000	BRL Universal Equipment sec. notes 8 7/8s, 2008	369,250
300,000	CHC Helicopter Corp. sr. sub. notes 7 3/8s, 2014 (Canada)	319,500
180,000	Chesapeake Energy Corp. company guaranty 9s, 2012	207,225
142,000	Chesapeake Energy Corp. company guaranty 7 3/4s, 2015	157,620
626,000	Chesapeake Energy Corp. sr. notes 7 1/2s, 2013	697,990
157,000	Chesapeake Energy Corp. sr. notes 7s, 2014	170,345
275,000	Comstock Resources, Inc. sr. notes 6 7/8s, 2012	284,625
380,000	Dresser, Inc. company guaranty 9 3/8s, 2011	423,700
295,000	Encore Acquisition Co. company guaranty 8 3/8s, 2012	327,450
140,000	Encore Acquisition Co. sr. sub. notes 6 1/4s, 2014	143,500
390,000	Exco Resources, Inc. company guaranty 7 1/4s, 2011	422,175

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185,000	Forest Oil Corp. company guaranty 7 3/4s, 2014	203,038
695,000	Forest Oil Corp. sr. notes 8s, 2011	792,300
115,000	Forest Oil Corp. sr. notes 8s, 2008	127,363
215,000	Hanover Compressor Co. sr. notes 9s, 2014	239,725
195,000	Hanover Compressor Co. sr. notes 8 5/8s, 2010	214,500
290,000	Hanover Compressor Co. sub. notes zero %, 2007	246,500
190,000	Hanover Equipment Trust sec. notes Ser. B, 8 3/4s, 2011	209,950
224,000	Harvest Operations Corp. 144A sr. notes 7 7/8s, 2011 (Canada)	232,120
265,000	Hornbeck Offshore Services, Inc. sr. notes 10 5/8s, 2008	292,163
195,000	KCS Energy, Inc. sr. notes 7 1/8s, 2012	203,775
250,000	Key Energy Services, Inc. sr. notes 6 3/8s, 2013	256,875
416,000	Massey Energy Co. sr. notes 6 5/8s, 2010	433,680
380,000	Newfield Exploration Co. sr. notes 7 5/8s, 2011	434,625
193,000	Newfield Exploration Co. 144A sr. sub. notes 6 5/8s, 2014	206,993
255,000	Offshore Logistics, Inc. company guaranty 6 1/8s, 2013	263,925
311,190	Oslo Seismic Services, Inc. 1st mtge. 8.28s, 2011	334,677
190,000	Pacific Energy Partners/Pacific Energy Finance Corp. 144A sr. notes 7 1/8s, 2014	206,150
121,000	Parker Drilling Co. company guaranty Ser. B, 10 1/8s, 2009	128,260
405,000	Peabody Energy Corp. sr. notes 5 7/8s, 2016	405,000
335,000	Pemex Project Funding Master Trust company guaranty 8 5/8s, 2022	384,413
300,000	Petro Geo-Services notes 10s, 2010 (Norway)	342,000
630,000	Petroleos Mexicanos company guaranty 9 1/2s, 2027 (Mexico)	771,750
550,000	Petronas Capital, Ltd. company guaranty 7 7/8s, 2022 (Malaysia)	673,090
125,000	Petronas Capital, Ltd. company guaranty 7s, 2012 (Malaysia)	143,438
310,000	Plains Exploration & Production Co. company guaranty Ser. B, 8 3/4s, 2012	350,300
230,000	Plains Exploration & Production Co. sr. notes 7 1/8s, 2014	255,300
160,000	Plains Exploration & Production Co. sr. sub. notes 8 3/4s, 2012	180,800
350,000	Pogo Producing Co. sr. sub. notes Ser. B, 8 1/4s, 2011	385,875
453,000	Pride International, Inc. 144A sr. notes 7 3/8s, 2014	509,625
320,000	Seabulk International, Inc. company guaranty 9 1/2s, 2013	340,800
170,000	Seven Seas Petroleum, Inc. sr. notes Ser. B, 12 1/2s, 2005 (In default) (NON)	2

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401,000	Star Gas Partners LP/Star Gas Finance Co. sr. notes 10 1/4s, 2013	385,963
202,260	Star Gas Propane 1st mtge. 8.04s, 2009	220,463
80,000	Universal Compression, Inc. sr. notes 7 1/4s, 2010	85,600
170,000	Vintage Petroleum, Inc. sr. notes 8 1/4s, 2012	190,400
80,000	Vintage Petroleum, Inc. sr. sub. notes 7 7/8s, 2011	86,400

		15,446,346
Financial (1.2%)		

1,045,000	China Development Bank notes 4 3/4s, 2014	1,032,983
165,000	Crescent Real Estate Equities LP notes 7 1/2s, 2007 (R)	170,363
420,000	Crescent Real Estate Equities LP sr. notes 9 1/4s, 2009 (R)	454,650
538,000	E*Trade Finance Corp. 144A sr. notes 8s, 2011	567,590
736,890	Finova Group, Inc. notes 7 1/2s, 2009	335,285
305,000	iStar Financial, Inc. sr. notes 8 3/4s, 2008 (R)	351,523
70,000	iStar Financial, Inc. sr. notes 7s, 2008 (R)	76,130
230,000	iStar Financial, Inc. sr. notes 6s, 2010 (R)	243,670
905,000	VTB Bank (VTB Capital) 144A notes 7 1/2s, 2011 (Luxembourg)	936,675
290,000	Western Financial Bank sub. debs. 9 5/8s, 2012	330,600

		4,499,469
Health Care (3.0%)		

195,000	Alderwoods Group, Inc. 144A sr. notes 7 3/4s, 2012	210,600
315,000	AmerisourceBergen Corp. company guaranty 7 1/4s, 2012	341,775
310,000	AmerisourceBergen Corp. sr. notes 8 1/8s, 2008	340,225
535,000	Ardent Health Services, Inc. sr. sub. notes 10s, 2013	547,038
185,000	Extendicare Health Services, Inc. company guaranty 9 1/2s, 2010	208,125
285,000	Extendicare Health Services, Inc. sr. sub. notes 6 7/8s, 2014	292,838
115,000	HCA, Inc. debs. 7.19s, 2015	120,899
640,000	HCA, Inc. notes 8.36s, 2024	688,275
150,000	HCA, Inc. notes 7.69s, 2025	151,532
445,000	HCA, Inc. notes 7s, 2007	471,384
297,000	HCA, Inc. notes 5 3/4s, 2014	287,995
540,000	Healthsouth Corp. notes 7 5/8s, 2012	523,800
255,000	Healthsouth Corp. sr. notes 8 1/2s, 2008	260,100
130,000	Healthsouth Corp. sr. notes 8 3/8s, 2011	129,350

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110,000	Healthsouth Corp. sr. notes 7s, 2008	109,450
195,000	Insight Health Services Corp. 144A company guaranty 9 7/8s, 2011	195,000
130,735	Magellan Health Services, Inc. sr. notes Ser. A, 9 3/8s, 2008	141,521
305,000	MedQuest, Inc. company guaranty Ser. B, 11 7/8s, 2012	353,038
455,000	MQ Associates, Inc. 144A sr. disc. notes zero %, 2012	300,300
405,000	Omnicare, Inc. sr. sub. notes 6 1/8s, 2013	409,050
396,000	PacifiCare Health Systems, Inc. company guaranty 10 3/4s, 2009	456,390
410,000	Province Healthcare Co. sr. sub. notes 7 1/2s, 2013	463,300
70,000	Service Corp. International debs. 7 7/8s, 2013	76,300
40,000	Service Corp. International notes 7.2s, 2006	41,800
15,000	Service Corp. International notes 6 7/8s, 2007	15,863
60,000	Service Corp. International notes 6 1/2s, 2008	63,000
145,000	Service Corp. International notes 7.7s, 2009	159,138
415,000	Service Corp. International/US 144A sr. notes 7s, 2016	427,450
390,000	Stewart Enterprises, Inc. notes 10 3/4s, 2008	428,025
220,000	Tenet Healthcare Corp. notes 7 3/8s, 2013	207,900
10,000	Tenet Healthcare Corp. sr. notes 6 1/2s, 2012	9,075
265,000	Tenet Healthcare Corp. sr. notes 6 3/8s, 2011	241,813
475,000	Tenet Healthcare Corp. 144A sr. notes 9 7/8s, 2014	497,563
435,000	Triad Hospitals, Inc. sr. notes 7s, 2012	465,450
693,000	Triad Hospitals, Inc. sr. sub. notes 7s, 2013	710,325
285,000	Universal Hospital Services, Inc. sr. notes 10 1/8s, 2011	290,700
135,000	US Oncology, Inc. 144A sr. notes 9s, 2012	145,800
100,000	US Oncology, Inc. 144A sr. sub. notes 10 3/4s, 2014	109,000
227,000	Vanguard Health Holding Co. II, LLC 144A sr. sub. notes 9s, 2014	237,215
165,000	Ventas Realty LP/Capital Corp. company guaranty 9s, 2012	191,813
94,000	Ventas Realty LP/Capital Corp. 144A sr. notes 6 5/8s, 2014	95,880
185,000	VWR International, Inc. 144A sr. notes 6 7/8s, 2012	195,638

		11,611,733

Technology (1.4%)

281,000	Advanced Micro Devices, Inc. 144A sr. notes 7 3/4s, 2012	281,703
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242,000	AMI Semiconductor, Inc. company guaranty 10 3/4s, 2013	283,745
395,000	Celestica, Inc. sr.sub. notes 7 7/8s, 2011 (Canada)	422,650
390,000	Freescale Semiconductor, Inc. 144A sr. notes 7 1/8s, 2014	413,400
130,000	Iron Mountain, Inc. company guaranty 8 5/8s, 2013	140,725
295,000	Iron Mountain, Inc. sr. sub. notes 8 1/4s, 2011	303,850
40,000	Lucent Technologies, Inc. debs. 6 1/2s, 2028	34,200
555,000	Lucent Technologies, Inc. debs. 6.45s, 2029	476,606
30,000	Lucent Technologies, Inc. notes 5 1/2s, 2008	30,750
205,000	Nortel Networks Corp. notes 6 1/8s, 2006 (Canada)	209,613
275,000	ON Semiconductor Corp. company guaranty 13s, 2008	310,750
175,000	SCG Holding Corp. 144A notes zero %, 2011	238,000
235,000	Seagate Technology Hdd Holdings company guaranty 8s, 2009 (Cayman Islands)	253,800
435,000	UGS Corp. 144A sr. sub. notes 10s, 2012	487,200
420,000	Xerox Capital Trust I company guaranty 8s, 2027	420,000
215,000	Xerox Corp. notes Ser. MTN, 7.2s, 2016	226,288
615,000	Xerox Corp. sr. notes 7 5/8s, 2013	676,500
110,000	Xerox Corp. sr. notes 6 7/8s, 2011	117,425

		5,327,205

Transportation (0.5%)

295,000	American Airlines, Inc. pass-through certificates Ser. 01-1, 6.817s, 2011	265,500
530,000	Calair, LLC/Calair Capital Corp. company guaranty 8 1/8s, 2008	431,950
500,000	Kansas City Southern Railway Co. company guaranty 9 1/2s, 2008	556,250
100,000	Kansas City Southern Railway Co. company guaranty 7 1/2s, 2009	104,000
310,000	Northwest Airlines, Inc. company guaranty 7 5/8s, 2005	306,900
127,385	NWA Trust sr. notes Ser. A, 9 1/4s, 2012	128,818
100,000	Travel Centers of America, Inc. company guaranty 12 3/4s, 2009	114,500

		1,907,918

Utilities & Power (4.0%)

30,000	AES Corp. (The) sr. notes 8 7/8s, 2011	34,650
17,000	AES Corp. (The) sr. notes 8 3/4s, 2008	18,828

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420,000	AES Corp. (The) 144A sec. notes 9s, 2015	488,250
595,000	AES Corp. (The) 144A sec. notes 8 3/4s, 2013	684,994
290,000	Allegheny Energy Supply 144A bonds 8 1/4s, 2012	326,975
180,000	Allegheny Energy Supply 144A sec. notes 10 1/4s, 2007	207,000
431,000	Calpine Corp. 144A sec. notes 8 1/2s, 2010	316,785
150,000	CenterPoint Energy Resources Corp. debs. 6 1/2s, 2008	162,251
120,000	CenterPoint Energy Resources Corp. sr. notes Ser. B, 7 7/8s, 2013	143,455
50,000	CMS Energy Corp. pass-through certificates 7s, 2005	50,187
500,000	CMS Energy Corp. sr. notes 8.9s, 2008	557,500
120,000	CMS Energy Corp. sr. notes 8 1/2s, 2011	136,200
100,000	CMS Energy Corp. sr. notes 7 3/4s, 2010	109,500
340,000	DPL, Inc. sr. notes 6 7/8s, 2011	370,600
160,000	Dynegy Holdings, Inc. sr. notes 6 7/8s, 2011	154,800
780,000	Dynegy Holdings, Inc. 144A sec. notes 10 1/8s, 2013	908,700
200,000	Dynegy-Roseton Danskamme company guaranty Ser. A, 7.27s, 2010	202,000
310,000	Dynegy-Roseton Danskamme company guaranty Ser. B, 7.67s, 2016	298,375
145,000	Edison Mission Energy sr. notes 10s, 2008	169,288
5,000	Edison Mission Energy sr. notes 9 7/8s, 2011	5,913
210,000	El Paso Corp. sr. notes 7 3/8s, 2012	212,100
505,000	El Paso Corp. sr. notes Ser. Medium Term Note (MTN), 7 3/4s, 2032	464,600
105,000	El Paso Natural Gas Co. debs. 8 5/8s, 2022	117,600
535,000	El Paso Production Holding Co. company guaranty 7 3/4s, 2013	557,738
345,000	Ferrellgas Partners LP/Ferrellgas Partners Finance sr. notes 6 3/4s, 2014	357,075
115,000	Kansas Gas & Electric debs. 8.29s, 2016	118,715
680,000	Midwest Generation, LLC sec. sr. notes 8 3/4s, 2034	770,100
450,000	Mission Energy Holding Co. sec. notes 13 1/2s, 2008	570,375
215,000	Monongahela Power Co. 144A 1st. mtge. 6.7s, 2014	233,497
360,000	Nevada Power Co. 2nd mtge. 9s, 2013	419,400
545,000	Northwest Pipeline Corp. company guaranty 8 1/8s, 2010	611,081
35,000	Northwestern Corp. debs. 6.95s, 2028 (In default) (NON)	30,800
60,000	Northwestern Corp. notes 8 3/4s, 2012 (In default) (NON)	52,800
173,000	Norwest Corp./OLD 144A sec. notes 5 7/8s, 2014	177,325

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1,080,000	NRG Energy, Inc. 144A sr. sec. notes 8s, 2013	1,189,350
310,000	Orion Power Holdings, Inc. sr. notes 12s, 2010	390,600
460,000	PG&E Corp. sec. notes 6 7/8s, 2008	499,100
85,000	PG&E Gas Transmission Northwest sr. notes 7.1s, 2005	88,294
330,000	PSEG Energy Holdings, Inc. notes 7 3/4s, 2007	353,100
260,000	SEMCO Energy, Inc. sr. notes 7 3/4s, 2013	280,150
80,000	Sierra Pacific Power Co. general ref. mtge. 6 1/4s, 2012	82,800
490,000	Sierra Pacific Resources sr. notes 8 5/8s, 2014	556,150
50,000	Southern California Edison Co. notes 6 3/8s, 2006	52,084
170,000	Teco Energy, Inc. notes 10 1/2s, 2007	199,325
100,000	Teco Energy, Inc. notes 7.2s, 2011	109,000
150,000	Teco Energy, Inc. notes 7s, 2012	162,000
40,000	Tennessee Gas Pipeline Co. debs. 7s, 2028	38,600
211,000	Tennessee Gas Pipeline Co. unsec. notes 7 1/2s, 2017	225,770
50,000	Transcontinental Gas Pipeline Corp. debs. 7 1/4s, 2026	53,000
470,000	Utilicorp Canada Finance Corp. company guaranty 7 3/4s, 2011 (Canada)	489,975
196,000	Utilicorp United, Inc. sr. notes 9.95s, 2011	220,500
215,000	Western Resources, Inc. sr. notes 9 3/4s, 2007	244,465
80,000	Williams Cos., Inc. (The) notes 8 3/4s, 2032	90,800
80,000	Williams Cos., Inc. (The) notes 8 1/8s, 2012	94,000
290,000	Williams Cos., Inc. (The) notes 7 5/8s, 2019	326,250
131,272	York Power Funding 144A notes 12s, 2007 (Cayman Islands) (In default) (NON)	13
		----- 15,784,783 -----
	Total Corporate bonds and notes (cost \$140,980,827)	\$148,751,136

Foreign government bonds and notes (12.4%) (a)		Value
Principal amount		-----
EUR	2,000,000 Austria (Republic of) 144A notes Ser. EMTN, 3.8s, 2013	\$2,536,423
USD	360,000 Brazil (Federal Republic of) bonds 10 1/2s, 2014	403,020
USD	1,010,000 Brazil (Federal Republic of) bonds 10 1/8s, 2027	1,073,125
USD	925,000 Brazil (Federal Republic of) bonds 8 7/8s, 2019	915,750
USD	496,000 Bulgaria (Republic of) 144A bonds 8 1/4s, 2015	620,000

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CAD	1,005,000	Canada (Government of) bonds 5 1/2s, 2010	883,114
CAD	410,000	Canada (Government of) bonds Ser. WL43, 5 3/4s, 2029	373,354
USD	235,000	Colombia (Republic of) bonds 10 3/8s, 2033	255,563
USD	475,000	Colombia (Republic of) bonds Ser. NOV, 9 3/4s, 2009	536,750
USD	1,150,000	Colombia (Republic of) notes 10 3/4s, 2013	1,331,125
USD	175,000	Dominican (Republic of) notes 9.04s, 2013	141,750
USD	795,000	Ecuador (Republic of) bonds stepped-coupon Ser. REGS, 8s, 2030	671,775
USD	220,000	El Salvador (Republic of) bonds 8 1/4s, 2032	221,430
USD	150,000	El Salvador (Republic of) 144A bonds 8 1/4s, 2032	150,975
USD	155,000	El Salvador (Republic of) 144A bonds 7 5/8s, 2034	157,170
EUR	760,000	France (Government of) bonds 5 3/4s, 2032	1,146,440
EUR	1,470,000	France (Government of) bonds 5 1/2s, 2010	2,082,838
EUR	3,200,000	France (Government of) bonds 4s, 2013	4,139,271
EUR	440,000	France (Government of) deb. 4s, 2009	580,343
EUR	3,310,000	Germany (Federal Republic of) bonds Ser. 97, 6s, 2007	4,572,048
EUR	2,480,000	Germany (Federal Republic of) bonds Ser. 97, 6s, 2007	3,384,577
EUR	730,000	Hellenic Greece (Republic of) bonds 3 1/2s, 2008	945,571
USD	100,000	Indonesia (Republic of) FRN 2.005s, 2006	97,000
USD	250,000	Indonesia (Republic of) FRN 2.005s, 2005	246,875
USD	760,000	Indonesia (Republic of) 144A sr. notes 6 3/4s, 2014	743,660
NZD	2,970,000	New Zealand (Government of) bonds Ser. 1106, 8s, 2006	2,105,321
NZD	3,152,000	New Zealand (Government of) bonds Ser. 709, 7s, 2009	2,238,645
USD	200,000	Peru (Republic of) bonds 8 3/4s, 2033	199,400
USD	280,000	Philippines (Republic of) notes 10 5/8s, 2025	293,020
USD	545,000	Philippines (Republic of) sr. notes 8 7/8s, 2015	534,100
USD	3,341,250	Russia (Federation of) 144A unsub. stepped-coupon 5s (7 1/2s, 3/31/07), 2030 (STP)	3,346,262
USD	520,000	Russia (Ministry of Finance) deb. Ser. V, 3s, 2008	481,000
USD	1,030,000	South Africa (Republic of) notes 7 3/8s, 2012	1,176,775
USD	465,000	South Africa (Republic of) notes 6 1/2s, 2014	505,223
SEK	14,640,000	Sweden (Government of) bonds Ser. 3101, 4s, 2008	2,570,353
SEK	16,800,000	Sweden (Government of) debts. Ser. 1041, 6 3/4s, 2014	2,823,428

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USD	154,004	Ukraine (Government of) sr. notes Ser. REGS, 11s, 2007	167,403
USD	400,000	Ukraine (Government of) 144A bonds 7.65s, 2013	411,600
USD	575,000	Ukraine (Government of) 144A unsub. notes 6 7/8s, 2011	580,060
USD	1,395,000	United Mexican States bonds Ser. MTN, 8.3s, 2031	1,613,318
USD	215,000	Venezuela (Republic of) bonds 9 3/8s, 2034	219,623
USD	255,000	Venezuela (Republic of) notes 10 3/4s, 2013	294,525
USD	190,000	Venezuela (Republic of) notes 8 1/2s, 2014	193,563
USD	415,000	Venezuela (Republic of) unsub. bonds 5 3/8s, 2010	379,518

		Total Foreign government bonds and notes (cost \$42,217,300)	\$48,343,084

Asset-backed securities (8.7%) (a)

			Value
		Principal amount	-----
	\$97,885	ABSC NIMS Trust 144A Ser. 03-HE5, Class A, 7s, 2033	\$98,374
		Aegis Asset Backed Securities Trust 144A	
	55,377	Ser. 04-1N, Class Note, 5s, 2034	55,256
		Aegis Asset Backed Securities Trust 144A	
	128,285	Ser. 04-2N, Class N1, 4 1/2s, 2034	127,543
	102,601	Ser. 04-4N, Class Note, 5s, 2034	102,562
	164,000	Ameriquest Finance NIM Trust 144A Ser. 04-RN9, Class N2, 10s, 2034	151,905
	1,751,818	Amortizing Residential Collateral Trust Ser. 02-BC1, Class A, Interest Only (IO), 6s, 2005	33,953
	32,290	AQ Finance NIM Trust 144A Ser. 03-N9A, Class Note, 7.385s, 2033	32,451
		Arcap REIT, Inc. 144A	
	208,000	Ser. 03-1A, Class E, 7.11s, 2038	223,340
	116,000	Ser. 04-1A, Class E, 6.42s, 2039	118,773
		Argent NIM Trust 144A	
	54,711	Ser. 03-N6, Class A, 6.4s, 2034 (Cayman Islands)	54,848
	35,695	Ser. 04-WN2, Class A, 4.55s, 2034 (Cayman Islands)	35,561
		Asset Backed Funding Corp. NIM Trust 144A	
	84,000	Ser. 04-0PT1, Class N2, 6.9s, 2033 (Cayman Islands)	84,000
	116,000	Ser. 04-0PT5, Class N1, 4 1/2s, 2034 (Cayman Islands)	115,992
	168,766	Ser. 04-FF1, Class N1, 5s, 2034 (Cayman Islands)	168,211
	25,000	Ser. 04-FF1, Class N2, 5s, 2034 (Cayman Islands)	24,918
	136,000	Ser. 04-HE1, Class N2, 8s, 2034 (Cayman Islands)	132,140
	169,350	Aviation Capital Group Trust 144A FRB Ser. 03-2A, Class G1, 2.61s, 2033	169,985

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260,000	Bank One Issuance Trust FRB Ser. 03-C4, Class C4, 2.9s, 2011	264,836
10,501,963	Bayview Financial Acquisition Trust Ser. 03-X, Class A, IO, 0.9s, 2006 Bear Stearns Asset Backed Securities NIM Trust 144A	183,341
218,859	Ser. 04-HE6, Class A1, 5 1/4s, 2034 (Cayman Islands)	218,551
169,749	Ser. 04-HE7N, Class A1, 5 1/4s, 2034 (Cayman Islands)	169,749
155,000	Bear Stearns Asset Backed Securities, Inc. Ser. 04-FR3, Class M6, 5.21s, 2034	155,000
393,392	Bombardier Capital Mortgage Securitization Corp. Ser. 99-B, Class A3, 7.18s, 2015	307,829
447,597	Ser. 99-B, Class A4, 7.3s, 2016 CARSSX Finance, Ltd. 144A	351,452
100,000	FRB Ser. 04-AA, Class B3, 5.22s, 2011 (Cayman Islands)	100,050
100,000	FRB Ser. 04-AA, Class B4, 7.37s, 2011 (Cayman Islands)	100,050
370,000	Chase Credit Card Master Trust FRB Ser. 03-3, Class C, 2.95s, 2010	378,343
64,539	Chase Funding Net Interest Margin 144A Ser. 03-4A, Class Note, 6 3/4s, 2036	64,700
195,000	CHEC NIM Ltd., 144A Ser. 04-2, Class N1, 4.45s, 2034 (Cayman Islands)	193,887
51,000	Ser. 04-2, Class N2, 8s, 2034 (Cayman Islands)	50,997
31,000	Ser. 04-2, Class N3, 8s, 2034 (Cayman Islands)	26,660
187,542	Conseco Finance Securitizations Corp. Ser. 00-2, Class A4, 8.48s, 2030	191,203
1,673,000	Ser. 00-4, Class A6, 8.31s, 2032	1,467,537
513,572	Ser. 00-6, Class M2, 8.2s, 2032	69,332
145,000	Ser. 01-04, Class A4, 7.36s, 2033	150,641
479,000	Ser. 01-1, Class A5, 6.99s, 2032	459,619
9,000	Ser. 01-3, Class A3, 5.79s, 2033	9,224
1,001,000	Ser. 01-3, Class A4, 6.91s, 2033	1,005,805
200,000	Ser. 01-3, Class M2, 7.44s, 2033	38,000
471,584	Ser. 01-4, Class B1, 9.4s, 2033	63,664
1,245,917	Conseco Finance Securitizations Corp. Ser. 02-1, Class A, 6.681s, 2033	1,306,392
159,000	FRB Ser. 01-4, Class M1, 3.59s, 2033	65,826
394,000	Consumer Credit Reference IDX Securities FRB Ser. 02-1A, Class A, 3.919s, 2007	399,429
833,198	Countrywide Asset Backed Certificates 144A Ser. 04-6N, Class N1, 6 1/4s, 2035	832,364
127,424	Ser. 04-BC1N, Class Note, 5 1/2s, 2035	126,906
235,000	Crest, Ltd. 144A Ser. 03-2A, Class E2, 8s, 2038	237,791
230,000	First Chicago Lennar Trust 144A Ser. 97-CHL1, Class E, 7.827s, 2039	238,194
99,349	First Franklin NIM Trust 144A Ser. 03-FF3A, Class A, 6 3/4s, 2033	98,963
195,000	Ser. 04-FF10, Class N1, 4 1/2s, 2034 (Cayman Islands)	194,987

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	Fremont NIM Trust 144A	
	28,382 Ser. 03-B, Class Note, 5.65s, 2033	28,311
	192,969 Ser. 04-A, Class Note, 4 3/4s, 2034	192,390
	Granite Mortgages PLC	
	190,000 FRB Ser. 02-1, Class 1C, 3.379s, 2042 (United Kingdom)	192,983
EUR	780,000 FRB Ser. 03-2, Class 2C1, 5.2s, 2043 (United Kingdom)	1,021,249
GBP	585,000 FRB Ser. 03-2, Class 3C, 6.444s, 2043 (United Kingdom)	1,098,895
	Green Tree Financial Corp.	
	\$198,308 Ser. 94-4, Class B2, 8.6s, 2019	139,034
	479,607 Ser. 94-6, Class B2, 9s, 2020	385,484
	200,900 Ser. 95-4, Class B1, 7.3s, 2025	189,473
	194,980 Ser. 95-8, Class B1, 7.3s, 2026	150,134
	83,644 Ser. 95-F, Class B2, 7.1s, 2021	76,286
	200,000 Ser. 96-8, Class M1, 7.85s, 2027	174,000
	59,039 Ser. 99-3, Class A5, 6.16s, 2031	59,924
	678,000 Ser. 99-5, Class A5, 7.86s, 2030	610,851
	1,252,721 Greenpoint Manufactured Housing Ser. 00-3, Class IA, 8.45s, 2031	1,250,967
	635,000 GS Auto Loan Trust 144A Ser. 04-1, Class D, 5s, 2011	626,740
	GSAMP Trust 144A	
	40,274 Ser. 03-HE1N, Class Note, 7 1/4s, 2033	40,153
	113,658 Ser. 04-FM1N, Class Note, 5 1/4s, 2033	113,578
	87,274 Ser. 04-HE1N, Class N1, 5s, 2034	87,117
	916,846 Ser. 04-NIM1, Class N1, 5 1/2s, 2034	916,846
	281,000 Ser. 04-NIM1, Class N2, zero %, 2034	207,884
	106,108 Ser. 04-RENM, Class Note, 5 1/2s, 2032	106,002
	174,790 Ser. 04-SE2N, Class Note, 5 1/2s, 2034	174,790
	Holmes Financing PLC FRB	
	110,000 Ser. 4, Class 3C, 3.37s, 2040 (United Kingdom)	111,408
	190,000 Ser. 5, Class 2C, 3.52s, 2040 (United Kingdom)	190,532
	127,000 Ser. 8, Class 2C, 2.79s, 2040 (United Kingdom)	127,318
	Home Equity Asset Trust 144A	
	88,827 Ser. 02-5N, Class A, 8s, 2033	89,272
	22,839 Ser. 03-4N, Class A, 8s, 2033	23,010
	103,826 Ser. 03-7N, Class A, 5 1/4s, 2034	103,826
	66,134 Ser. 04-1N, Class A, 5s, 2034	65,969
	LNR CDO, Ltd. 144A	
	685,000 FRB Ser. 02-1A, Class FFL, 4.683s, 2037 (Cayman Islands)	670,341
	415,000 FRB Ser. 03-1A, Class EFL, 4.933s, 2036 (Cayman Islands)	438,282
	Long Beach Asset Holdings Corp. NIM Trust 144A	
	36,377 Ser. 03-2, Class N1, 7.627s, 2033	36,377
	Long Beach Asset Holdings Corp. NIM Trust 144A	
	24,429 Ser. 03-4, Class N1, 6.535s, 2033	24,429
	131,892 Ser. 04-2, Class N1, 4.94s, 2034	131,892
	170,483 Ser. 04-5, Class Note, 5s, 2034	170,858
	987,692 Long Beach Mortgage Loan Trust Ser. 04-3, Class S1, IO, 4 1/2s, 2006	57,101

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GBP	500,000	Lothian Mortgages PLC 144A Ser. 3A, Class D, 5.458s, 2039 (United Kingdom)	916,050
	\$568,528	Madison Avenue Manufactured Housing Contract FRB Ser. 02-A, Class B1, 5.183s, 2032	335,432
	77,000	Master Asset Backed Securities NIM Trust 144A Ser. 04-CI5, Class N2, 10s, 2034	76,216
	370,000	MBNA Credit Card Master Note Trust FRN Ser. 03-C5, Class C5, 3.05s, 2010	378,157
	53,130	Merrill Lynch Mortgage Investors, Inc. Ser. 03-WM3N, Class N1, 8s, 2005 Merrill Lynch Mortgage Investors, Inc. 144A	53,374
	100,337	Ser. 04-FM1N, Class N1, 5s, 2035	99,434
	78,425	Ser. 04-HE1N, Class N1, 5s, 2006	77,876
	94,809	Mid-State Trust Ser. 11, Class B, 8.221s, 2038	92,814
	155,000	Morgan Stanley ABS Capital I FRB Ser. 04-HE8, Class B3, 5.159s, 2034	155,000
	6,421	Morgan Stanley ABS Capital I 144A Ser. 03-NC9N, Class Note, 7.6s, 2033	6,453
	95,000	Morgan Stanley Auto Loan Trust 144A Ser. 04-HB2, Class E, 5s, 2012 Morgan Stanley Dean Witter Capital I	91,905
	168,511	FRN Ser. 01-NC3, Class B1, 4.383s, 2031	167,290
	195,000	FRN Ser. 01-NC4, Class B1, 4.433s, 2032	192,714
	54,888	New Century Mortgage Corp. NIM Trust 144A Ser. 03-B, Class Note, 6 1/2s, 2033 Oakwood Mortgage Investors, Inc.	55,085
	494,000	Ser. 00-D, Class A4, 7.4s, 2030	321,693
	783,588	Ser. 01-C, Class A2, 5.92s, 2017	513,877
	380,474	Ser. 01-C, Class A4, 7.405s, 2030	272,876
	658,313	Ser. 01-E, Class A2, 5.05s, 2019	543,674
	309,677	Ser. 02-A, Class A2, 5.01s, 2020	266,508
	1,064,954	Ser. 02-C, Class A1, 5.41s, 2032	959,204
	416,178	Ser. 99-B, Class A4, 6.99s, 2026	380,120
	405,879	Ser. 99-D, Class A1, 7.84s, 2029	388,508
	262,000	Oceanstar 144A FRB Ser. 04, Class E, 8.606s, 2018 Option One Mortgage Securities Corp. NIM Trust 144A	262,000
	7,527	Ser. 03-2B, Class N1, 7.63s, 2033 (Cayman Islands)	7,527
	30,386	Ser. 03-5, Class Note, 6.9s, 2033	30,538
	38,000	Park Place Securities NIM Trust 144A Ser. 04-WCW2, Class D, 7.387s, 2034	38,000
	164,881	Pass-Through Amortizing Credit Card Trust Ser. 02-1A, Class A4FL, 7.389s, 2012	165,257
	55,000	People's Choice Net Interest Margin Note 144A Ser. 04-2, Class B, 5s, 2034 Permanent Financing PLC FRB	49,830
	150,000	Ser. 1, Class 3C, 3.063s, 2042	

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	(United Kingdom)	151,440
190,000	Ser. 3, Class 3C, 3.013s, 2042 (United Kingdom)	192,584
1,390,574	Residential Asset Mortgage Products, Inc. Ser. 03-RZ1, Class A, IO, 5 3/4s, 2005	42,915
149,776	Rural Housing Trust Ser. 87-1, Class D, 6.33s, 2026	155,182
	SAIL Net Interest Margin Notes 144A	
173,910	Ser. 03-10A, Class A, 7 1/2s, 2033 (Cayman Islands)	173,901
74,302	Ser. 03-12A, Class A, 7.35s, 2033 (Cayman Islands)	74,280
74,945	Ser. 03-3, Class A, 7 3/4s, 2033 (Cayman Islands)	74,569
28,958	Ser. 03-4, Class A, 7 1/2s, 2033 (Cayman Islands)	28,926
138,956	Ser. 03-5, Class A, 7.35s, 2033 (Cayman Islands)	138,915
42,242	Ser. 03-6A, Class A, 7s, 2033 (Cayman Islands)	41,928
95,516	Ser. 03-7A, Class A, 7s, 2033 (Cayman Islands)	94,807
24,563	Ser. 03-8A, Class A, 7s, 2033 (Cayman Islands)	24,439
63,548	Ser. 03-9A, Class A, 7s, 2033 (Cayman Islands)	63,217
124,958	Ser. 03-BC2A, Class A, 7 3/4s, 2033	124,594
283,908	Ser. 04-2A, Class A, 5 1/2s, 2034 (Cayman Islands)	283,908
322,264	Ser. 04-4A, Class A, 5s, 2034 (Cayman Islands)	321,780
244,422	Ser. 04-7A, Class A, 4 3/4s, 2034 (Cayman Islands)	244,082
47,420	Ser. 04-7A, Class B, 6 3/4s, 2034 (Cayman Islands)	46,633
270,926	Ser. 04-8A, Class A, 5s, 2034	270,926
111,404	Ser. 04-8A, Class B, 6 3/4s, 2034	108,903
182,329	Ser. 04-AA, Class A, 4 1/2s, 2034	181,690
2,780	Sasco Arc Net Interest Margin Notes 144A Ser. 02-BC10, Class A, 7 3/4s, 2033	2,754
	Sasco Net Interest Margin Trust 144A	
78,543	Ser. 03-AM1, Class A, 7 3/4s, 2033	78,160
148,926	Ser. 03-BC1, Class B, zero %, 2033	126,587
59,469	Saxon Net Interest Margin Trust 144A Ser. 03-A, Class A, 6.656s, 2033	59,469
68,272	Sharps SP I, LLC Net Interest Margin Trust Ser. 03-NC1N, Class N, 7 1/4s, 2033	68,656
	Sharps SP I, LLC Net Interest Margin Trust 144A	
62,714	Ser. 03-0P1N, Class NA, 4.45s, 2033	62,714
43,744	Ser. 03-HS1N, Class N, 7.48s, 2033	43,881
20,800	Ser. 03-TC1N, Class N, 7.45s, 2033	20,800
33,816	Ser. 04-FM1N, Class N, 6.16s, 2033	33,985
72,438	Ser. 04-HE2N, Class NA, 5.43s, 2034	72,351
28,162	Ser. 04-HS1N, Class Note, 5.92s, 2034	28,162
	Structured Asset Investment Loan Trust	
103,854	Ser. 03-BC1A, Class A, 7 3/4s, 2033	103,349
2,207,641	Ser. 03-BC2, Class A, IO, 6s, 2005	53,692

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1,048,003 Ser. 03-BC8, Class A, IO, 6s, 2005	35,746
5,904,743 Ser. 04-1, Class A, IO, 6s, 2005	230,496
254,000 TIAA Real Estate CDO, Ltd. Ser. 03-1A, Class E, 8s, 2038	247,070
212,000 TIAA Real Estate CDO, Ltd. 144A Ser. 02-1A, Class IV, 6.84s, 2037	170,126
1,464,740 Washington Mutual Ser. 03-S1, Class All, IO, 5 1/2s, 2033	62,600
616,528 Wells Fargo Home Equity Trust 144A Ser. 04-2, Class N1, 4.45s, 2034	616,491
116,000 Ser. 04-2, Class N2, 8s, 2034 Whole Auto Loan Trust 144A	110,200
373,982 Ser. 03-1, Class D, 6s, 2010	374,041
273,000 Ser. 04-1, Class D, 5.6s, 2034	272,996

Total Asset-backed securities (cost \$35,293,819)	\$33,946,197

Collateralized mortgage obligations (4.5%) (a)

Principal amount	Value

\$114,000 Banc of America Large Loan 144A FRN Ser. 02-FL2A, Class L1, 4.84s, 2014	\$114,192
190,000 Bear Stearns Commercial Mortgage Securitization Corp. 144A Ser. 04-ESA, Class K, 4.368s, 2016	189,999
2,499,781 Commercial Mortgage Acceptance Corp. Ser. 97-ML1, IO, 0.781s, 2017 Commercial Mortgage Pass-Through Certificates 144A	57,026
154,000 FRB Ser. 01-FL4A, Class E, 3.17s, 2013	137,060
120,000 Ser. 01-FL4A, Class D, 2.72s, 2013	116,321
757,000 Criimi Mae Commercial Mortgage Trust Ser. 98-C1, Class A2, 7s, 2033	817,087
1,143,000 Criimi Mae Commercial Mortgage Trust 144A Ser. 98-C1, Class B, 7s, 2033 CS First Boston Mortgage Securities Corp. 144A	1,216,663
520,000 Ser. 98-C1, Class F, 6s, 2040	383,592
192,000 FRB Ser. 03-TF2A, Class L, 5.87s, 2014	190,804
192,000 Ser. 02-CP5, Class M, 5 1/4s, 2035	137,828
21,123,321 Deutsche Mortgage & Asset Receiving Corp. Ser. 98-C1, Class X, IO, 0.962s, 2023 DLJ Commercial Mortgage Corp.	533,003
152,919 Ser. 98-CF2, Class B4, 6.04s, 2031	155,862
489,824 Ser. 98-CF2, Class B5, 5.95s, 2031	322,535
144,000 DLJ Mortgage Acceptance Corp. 144A Ser. 97-CF1, Class B1, 7.91s, 2030 Fannie Mae	161,215
70,732 Ser. 98-51, Class SG, IO, 25.08s, 2022	32,729
255,902 Ser. 02-36, Class SJ, 15.294s, 2029	278,550
426 Ser. 92-15, Class L, IO, 10.38s, 2022	3,998
242,302 Ser. 03-W3, Class 1A3, 7 1/2s, 2042	263,271
5,241 Ser. 03-W2, Class 1A3, 7 1/2s, 2042	5,683
573 Ser. 02-W1, Class 2A, 7 1/2s, 2042	617
2,276 Ser. 02-14, Class A2, 7 1/2s, 2042	2,482
295,055 Ser. 01-T10, Class A2, 7 1/2s, 2041	318,280

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1,326 Ser. 02-T4, Class A3, 7 1/2s, 2041	1,434
3,534 Ser. 01-T8, Class A1, 7 1/2s, 2041	3,819
1,162,188 Ser. 01-T7, Class A1, 7 1/2s, 2041	1,254,344
175,733 Ser. 01-T3, Class A1, 7 1/2s, 2040	189,582
525,544 Ser. 01-T1, Class A1, 7 1/2s, 2040	575,433
217,960 Ser. 99-T2, Class A1, 7 1/2s, 2039	235,773
110,060 Ser. 00-T6, Class A1, 7 1/2s, 2030	121,357
515,211 Ser. 01-T4, Class A1, 7 1/2s, 2028	559,611
1,135 Ser. 02-W3, Class A5, 7 1/2s, 2028	1,232
712,893 Ser. 03-118, Class S, IO, 6.168s, 2033	103,369
771,476 Ser. 03-118, Class SF, IO, 6.168s, 2033	100,993
554,458 Ser. 02-36, Class QH, IO, 6.118s, 2029	23,876
555,536 Ser. 03-58, Class ID, IO, 6s, 2033	99,823
579,070 Ser. 03-26, Class IG, IO, 6s, 2033	89,173
435,672 Ser. 322, Class 2, IO, 6s, 2032	80,463
538,740 Ser. 318, Class 2, IO, 6s, 2032	101,940
2,507,509 Ser. 338, Class 2, IO, 5 1/2s, 2033	525,402
1,113,732 Ser. 329, Class 2, IO, 5 1/2s, 2033	227,619
1,159,800 Ser. 03-45, Class PI, IO, 5 1/2s, 2029	108,252
Fannie Mae	
1,526,838 Ser. 03-37, Class IC, IO, 5 1/2s, 2027	147,436
243,000 Ser. 03-6, Class IB, IO, 5 1/2s, 2022	5,498
3,853,741 Ser. 03-34, Class ES, IO, 5.068s, 2033	289,814
1,605,200 Ser. 03-34, Class SG, IO, 5.068s, 2033	121,541
2,370,424 Ser. 03-23, Class AI, IO, 5s, 2017	238,002
1,043,600 Ser. 03-24, Class IC, IO, 5s, 2015	165,948
4,451,609 Ser. 03-W10, Class 1A, IO, 1.794s, 2043	111,290
5,259,239 Ser. 03-W10, Class 3A, IO, 1.756s, 2043	138,055
2,834,289 Ser. 03-W17, Class 12, IO, 1.158s, 2033	93,410
4,655,509 Ser. 00-T6, IO, 0.751s, 2030	83,654
8,098,575 Ser. 02-T18, IO, 0.521s, 2042	116,494
90,260 Ser. 99-51, Class N, Principal Only (PO), zero %, 2029	78,174
42,491 Ser. 99-52, Class MO, PO, zero %, 2026	41,258
Federal Home Loan Mortgage Corp. Structured Pass-Through Securities	
7,112 Ser. T-58, Class 4A, 7 1/2s, 2043	7,693
2,721,504 Ser. T-57, Class 1AX, IO, 0.445s, 2043	29,664
7,259,777 FFCA Secured Lending Corp. Ser. 00-1, Class X, IO, 1.566s, 2020	458,957
Freddie Mac	
286,449 Ser. 2763, Class SC, 21.12s, 2032	347,985
1,046,288 Ser. 2448, Class SM, IO, 6.13s, 2032	94,820
1,707,501 Ser. 216, IO, 6s, 2032	314,554
786,800 Ser. 2515, Class IG, IO, 5 1/2s, 2032	206,073
378,251 Ser. 2626, Class IK, IO, 5 1/2s, 2030	74,190
404,800 Ser. 2590, Class IH, IO, 5 1/2s,	

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	2028	83,870
1,048,000	Ser. 2596, Class IQ, IO, 5 1/2s, 2026	72,141
279,044	Ser. 2833, Class IK, IO, 5 1/2s, 2023	39,499
189,209	Ser. 215, PO, zero %, 2031	175,226
182,719	Ser. 2235, PO, zero %, 2030 GE Capital Commercial Mortgage Corp. 144A	154,854
321,000	Ser. 00-1, Class G, 6.131s, 2033	286,536
199,000	Ser. 00-1, Class H, 6.131s, 2033	146,429
282,877	GMAC Commercial Mortgage Securities, Inc. 144A Ser. 99-C3, Class G, 6.974s, 2036	226,639
	Government National Mortgage Association	
220,559	Ser. 01-43, Class SJ, IO, 5.69s, 2029	3,756
87,714	Ser. 98-2, Class EA, PO, zero %, 2028	74,639
117,000	GS Mortgage Securities Corp. II 144A FRB Ser. 03-FL6A, Class L, 5.12s, 2015	117,146
GBP	632,654 Hermione (European Loan Conduit No. 14) 144A FRB Class A, 5.326s, 2011 (Ireland)	1,166,040
\$136,232	LB Commercial Conduit Mortgage Trust 144A Ser. 99-C1, Class G, 6.41s, 2031	108,340
	Mach One Commercial Mortgage Trust 144A	
226,000	Ser. 04-1A, Class J, 5.45s, 2040	189,953
114,000	Ser. 04-1A, Class K, 5.45s, 2040	93,320
52,000	Ser. 04-1A, Class L, 5.45s, 2040	38,090
3,680,946	Merrill Lynch Mortgage Investors, Inc. Ser. 96-C2, Class JS, IO, 2.13s, 2028	198,083
930,000	Morgan Stanley Capital I 144A Ser. 04-RR, Class F7, 6s, 2039	666,916
2,943,663	Mortgage Capital Funding, Inc. Ser. 97-MC2, Class X, IO, 1.29s, 2012 Starwood Asset Receivables Trust 144A	80,332
95,279	FRB Ser. 03-1A, Class F, 3.033s, 2022	95,403
122,502	FRB Ser. 03-1A, Class E, 2.983s, 2022	122,661
	STRIPS 144A	
87,000	Ser. 03-1A, Class M, 5s, 2018 (Cayman Islands)	73,176
104,000	Ser. 03-1A, Class N, 5s, 2018 (Cayman Islands)	78,874
100,000	Ser. 04-1A, Class M, 5s, 2018 (Cayman Islands)	84,650
90,000	Ser. 04-1A, Class N, 5s, 2018 (Cayman Islands)	68,940
100,000	Trizechahn Office Properties Trust 144A Ser. 01-TZHA, Class D3, 6.943s, 2013	107,065

	Total Collateralized mortgage obligations (cost \$19,314,413)	\$17,559,380

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Senior loans (1.9%) (a) (c)	Value
Principal amount	
Basic Materials (0.2%)	

\$73,659 Graphics Packaging bank term loan FRN 4.52s, 2010	\$74,893
174,125 Hercules, Inc. bank term loan FRN Ser. B, 3.952s, 2010	175,322
57,225 Nalco Co. bank term loan FRN Ser. B, 4.426s, 2010	58,199
116,876 SGL Carbon, LLC bank term loan FRN 4.949s, 2009	117,460
160,000 Wellman 1st. lien bank term loan FRN 5.694s, 2009	162,400
145,000 Wellman 2nd. lien bank term loan FRN 8.444s, 2010	147,115

	735,389
Capital Goods (0.2%)	

81,189 Allied Waste Industries, Inc. bank term loan FRN 4.554s, 2010	81,969
13,790 Allied Waste Industries, Inc. bank term loan FRN Ser. C, 1.84s, 2010	13,919
94,044 Amsted Industries bank term loan FRN 5.755s, 2010	94,867
71,410 EaglePicher bank term loan FRN Ser. B, 4.863s, 2009	71,588
72,659 Flowserve Corp. bank term loan FRN Ser. C, 4.563s, 2009	73,658
79,086 Invensys, PLC bank term loan FRN Ser. B-1, 5.477s, 2009 (United Kingdom)	80,075
94,495 Mueller Group bank term loan FRN 4.570s, 2011	94,968
96,250 Roper bank term loan FRN 3.908s, 2008	96,250
99,500 Solo Cup Co. bank term loan FRN 4.310s, 2011	100,454
45,943 SPX Corp. bank term loan FRN Ser. B, 3.938s, 2009	46,402
24,813 Transdigm, Inc. bank term loan FRN Ser. C, 4.09s, 2010	25,107

	779,257
Communication Services (0.1%)	

49,833 Consolidated Communications bank term loan FRN Ser. B, 4.608s, 2012	50,207
49,500 Dobson Communications Corp. bank term loan FRN 5.383s, 2010	49,290
115,792 Nextel bank term loan FRN Ser. E, 4.188s, 2010	116,105
60,000 PanAmSat Corp. bank term loan FRN Ser. B, 4.66s, 2011	60,314
105,625 Qwest Communications International, Inc. bank term loan FRN Ser. A, 6 1/2s, 2007	109,643

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49,875 SBA Senior Finance, Inc. bank term loan FRN 5.540s, 2008	50,280

	435,839
Consumer Cyclicals (0.6%)	

33,140 Advance Stores bank term loan FRN Ser. C, 5.571s, 2007	33,168
63,293 Borgata Resorts bank term loan FRN Ser. B, 4.126s, 2007	63,689
87,500 Coinmach Corp. bank term loan FRN Ser. B, 4.630s, 2009	88,266
84,907 Dex Media West, LLC bank term loan FRN Ser. B, 4.095s, 2010	86,075
80,000 Goodyear Tire & Rubber Co. (The) bank term loan FRN 6.43s, 2006	80,925
75,000 Goodyear Tire & Rubber Co. (The) bank term loan FRN 4.6s, 2007	75,727
93,058 Hayes Lemmerz International, Inc. bank term loan FRN 5.559s, 2009	94,076
49,500 IESI Corp. bank term loan FRN 4.611s, 2010	50,119
81,481 Lamar Media bank term loan FRN 3.531s, 2010	82,118
50,000 Landsource bank term loan FRN Ser. B, 4 1/2s, 2010	50,750
53,424 Penn National Gaming, Inc. bank term loan FRN Ser. D, 4.478s, 2010	54,215
19,510 Pinnacle Entertainment, Inc. bank term loan FRN 4.84s, 2009	19,754
63,587 PRIMEDIA, Inc. bank term loan FRN Ser. B, 4 3/4s, 2009	61,330
1,000,000 Raycom Media, Inc. bank term loan FRN 3 7/8s, 2012	1,003,750
123,154 RH Donnelley Finance Corp. bank term loan FRN Ser. B, 3.86s, 2011	124,886
123,132 Scientific Gaming bank term loan FRN Ser. C, 4.34s, 2008	124,569
70,000 Sealy Mattress Co. bank term loan FRN Ser. C, 4.320s, 2012	70,904
69,650 TRW Automotive bank term loan FRN Ser. D-1, 4 1/8s, 2011	70,651
110,000 WRC Media Corp. bank term loan FRN 6.761s, 2009	109,244

	2,344,216
Consumer Staples (0.4%)	

18,720 Affinity Group Holdings bank term loan FRN Ser. B1, 6.007s, 2009	18,900
46,802 Affinity Group Holdings bank term loan FRN Ser. B2, 5.975s, 2009	47,250
105,118 AMF Bowling Worldwide bank term loan FRN Ser. B, 4.968s, 2009	105,710
100,000 Century Cable Holdings bank term loan FRN 6 3/4s, 2009	98,643
159,600 Charter Communications Holdings, LLC/Capital Corp. bank term loan FRN Ser. B, 4.92s, 2011	158,234
60,935 Constellation Brands, Inc. bank term	

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	loan FRN 3 1/2s, 2008	61,109
79,498	Del Monte Foods Co. bank term loan FRN Ser. B, 3.963s, 2010	80,814
82,592	DirectTV bank term loan FRN Ser. B-2, 3.884s, 2010	83,686
8,019	Dole Food Co. bank term loan FRN Ser. D, 4.386s, 2009	8,122
80,000	Dole Holding Co. bank term loan FRN 7s, 2010	81,050
34,738	Insight Midwest LP/Insight Capital, Inc. bank term loan FRN 4 3/4s, 2009	35,205
120,000	MGM bank term loan FRN Ser. B, 4.48s, 2011	120,330
270,000	Olympus Cable bank term loan FRN Ser. B, 6 3/4s, 2010	265,528
72,155	Rayovac Corp. bank term loan FRN Ser. Cc, 4.258s, 2009	73,177
42,443	Six Flags, Inc. bank term loan FRN Ser. B, 4.34s, 2009	42,681
76,458	Sum Media bank term loan FRN Ser. B, 3.684s, 2009	76,912
199,000	Warner Music Group bank term loan FRN Ser. B, 4.535s, 2011	201,594

		1,558,945
Energy (0.1%)		

120,000	Dresser, Inc. bank term loan FRN 5.19s, 2010	121,800
33,005	Magellan Midstream Holdings bank term loan FRN 4.65s, 2008	33,417

		155,217
Financial (--%)		

108,694	Hilb, Rogal & Hamilton Co. bank term loan FRN Ser. B, 3 7/8s, 2007	108,694
Health Care (0.2%)		

61,875	Beverly Enterprises, Inc. bank term loan FRN 4.510s, 2008	62,700
80,000	Community Health Systems, Inc. bank term loan FRN Ser. B, 3.54s, 2011	80,214
98,700	Concentra bank term loan FRN 4 3/4s, 2009	99,564
197,841	DaVita, Inc. bank term loan FRN Ser. B, 3.976s, 2009	200,128
79,800	Fisher Scientific International, Inc. bank term loan FRN Ser. B, 3.34s, 2011	80,374
49,500	Hanger Orthopedic Group, Inc. bank term loan FRN 5.475s, 2009	49,005
57,438	Kinetic Concepts, Inc. bank term loan FRN Ser. B, 3.98s, 2011	58,072
80,234	Medex, Inc. bank term loan FRN Ser. B, 4.89s, 2009	81,104

		711,161

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Transportation (--%)

	70,034 Pacer International, Inc. bank term loan FRN 4.132s, 2010	70,910
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Utilities & Power (0.1%)

	119,251 Allegheny Energy, Inc. bank term loan FRN Ser. C, 5.539s, 2011	119,698
	84,878 Teton Power Funding bank term loan FRN 5.16s, 2011	86,045
	80,000 Unisource Energy bank term loan FRN Ser. B, 5.652s, 2011	78,950
	64,190 Williams Products bank term loan FRN Ser. C, 4.37s, 2007	65,046
		349,739
	Total Senior loans (cost \$7,148,030)	\$7,249,367

Common stocks (0.7%) (a)

		Value
	1,083 AboveNet, Inc. (NON)	\$26,534
	1,153 Alderwoods Group, Inc. (NON)	11,680
	350,000 AMRESKO Creditor Trust (acquired 6/17/99, cost \$62,787) (NON) (RES) (R)	350
	8 Arch Wireles	229
	958 Archibald Candy Corp. (NON)	1
	605 Birch Telecom, Inc. (NON)	6
	244 Comdisco Holding Co., Inc.	5,429
	1,883,299 Contifinancial Corp. Liquidating Trust Units	28,249
	8,378 Covad Communications Group, Inc. (NON)	12,567
	614 Genesis HealthCare Corp. (NON)	18,838
	25,179 Globix Corp. (NON)	65,465
	295,000 iPCS Escrow, Inc. (NON)	295
	6,866 iPCS, Inc. (NON)	137,663
	99 Knology, Inc. (NON)	296
	58 Leucadia National Corp.	3,431
	3,473 Lodgian, Inc. (NON)	35,772
	60,000 Loewen Group International, Inc. (NON)	6
	431 Polymer Group, Inc. Class A (NON)	5,297
	1,004 PSF Group Holdings, Inc. 144A Class A (NON)	1,505,790
	28,727 Regal Entertainment Group	571,955
	129 Sterling Chemicals, Inc. (NON)	3,173
	467 Sun Healthcare Group, Inc. (NON)	3,456
	503,131 VFB LLC (acquired various dates from 10/27/00 to 12/08/03, cost \$355,888) (NON) (RES)	95,595
	2,398 Washington Group International, Inc. (NON)	83,618
		Total Common stocks (cost \$7,387,675)
		\$2,615,695

Brady bonds (0.4%) (a)

	Principal amount	Value
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\$900,000	Argentina (Government of) FRB Ser. L-GL, 2.438s, 2023	\$486,000
344,118	Brazil (Federal Republic of) FRB Ser. 18 YR, 3 1/8s, 2012	315,521
233,824	Brazil (Federal Republic of) govt. guaranty FRB Ser. RG, 3 1/8s, 2012	214,393
375,000	Peru (Republic of) coll. FLIRB Ser. 20YR, 4 1/2s, 2017	333,750
325,600	Peru (Republic of) FRB Ser. PDI, 5s, 2017	297,924
	Total Brady bonds (cost \$1,447,330)	\$1,647,588

Preferred stocks (0.4%) (a)		Value
Number of shares		
3,228	Avecia Group PLC \$4.00 pfd. (acquired various dates from 12/03/03 to 2/10/04, cost \$46,673) (United Kingdom) (RES) (PIK)	\$71,016
5,858	Doane Pet Care Co. \$7.125 pfd.	262,146
14	Dobson Communications Corp. 13.00% pfd. (PIK)	5,320
210	First Republic Capital Corp. 144A 10.50% pfd.	216,300
6,895	iStar Financial, Inc. \$1.95 cum. pfd. (R)	178,581
50	Paxson Communications Corp. 14.25% cum. pfd. (PIK)	380,000
473	Rural Cellular Corp. Ser. B, 11.375% cum. pfd. (PIK)	392,590
	Total Preferred stocks (cost \$1,568,634)	\$1,505,953

Convertible preferred stocks (0.2%) (a)		Value
Number of shares		
4,915	Crown Castle International Corp. \$3.125 cum. cv. pfd.	\$233,463
2,910	Omnicare, Inc. \$2.00 cv. pfd.	134,224
36	Paxson Communications Corp. 144A 9.75% cv. pfd. (PIK)	198,000
3,690	Williams Cos., Inc. (The) 144A \$2.75 cv. pfd.	267,525
	Total Convertible preferred stocks (cost \$753,774)	\$833,212

Warrants (0.1%) (a) (NON)		Expiration date	Value
Number of warrants			
460	AboveNet, Inc.	9/8/10	\$2,645
391	AboveNet, Inc.	9/8/08	2,542
560	Dayton Superior Corp. 144A	6/15/09	--
641	Huntsman Co., LLC 144A	5/15/11	147,430
266	MDP Acquisitions PLC 144A	10/1/13	10,640
210	Mikohn Gaming Corp. 144A	8/15/08	252
220	ONO Finance PLC 144A (United Kingdom)	2/15/11	2
230	Pliant Corp. 144A	6/1/10	2

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570 Travel Centers of America, Inc. 144A	5/1/09	2,850
900 Ubiquitel, Inc. 144A	4/15/10	--
1,479 Washington Group International, Inc. Ser. A	1/25/06	12,202
1,691 Washington Group International, Inc. Ser. B	1/25/06	10,569
914 Washington Group International, Inc. Ser. C	1/25/06	4,570
320 XM Satellite Radio Holdings, Inc. 144A	3/15/10	21,440

Total Warrants (cost \$378,059)		\$215,144
Units (0.1%) (a)		
Number of units		Value

470,000 Morrison Knudsen Corp. 2032		\$28,788
376 XCL Equity Units		167,075

Total Units (cost \$1,199,874)		\$195,863
Convertible bonds and notes (--%) (a)		
Principal amount		Value

\$1,210,000 Cybernet Internet Services International, Inc. 144A cv. sr. disc. notes 13s, 2009 (Denmark) (In default) (NON)		\$12
145,000 WCI Communities, Inc. cv. sr. sub. notes 4s, 2023		160,950

Total Convertible bonds and notes (cost \$1,173,321)		\$160,962
U.S. government and agency mortgage obligations (15.4%) (a)		
Principal amount		Value

\$18,125 Federal Home Loan Mortgage Corporation 7 1/2s, May 1, 2027 Federal National Mortgage Association Pass-Through Certificates		\$19,536
4,267 8s, July 1, 2024		4,649
77,060 7 1/2s, with due dates from January 1, 2030 to August 1, 2030		82,719
5,290,310 6 1/2s, with due dates from June 1, 2028 to September 1, 2034		5,578,048
37,400,000 6 1/2s, TBA, November 1, 2034		39,316,750
446,080 5s, June 1, 2019		455,959
12,400,000 5s, TBA, November 1, 2019		12,651,875
2,019,367 4 1/2s, with due dates from August 1, 2033 to June 1, 2034		1,964,782

Total U.S. government and agency mortgage obligations (cost \$59,683,685)		\$60,074,318
U.S. Treasury obligations (13.5%) (a)		
Principal amount		Value

U.S. Treasury Bonds		
\$5,440,000 7 1/2s, November 15, 2016		\$7,044,800

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12,789,000 6 1/4s, May 15, 2030	15,380,770
5,965,000 6 1/4s, August 15, 2023	7,047,088
U.S. Treasury Notes	
7,289,000 4 1/4s, August 15, 2013	7,450,725
3,000 4s, November 15, 2012	3,034
6,946,000 3 1/4s, August 15, 2008	7,002,436
6,087,000 1 1/8s, June 30, 2005	6,047,054
7,990,000 U.S. Treasury Strip zero %, November 15, 2024	2,904,086

Total U.S. Treasury obligations (cost \$50,654,244)	\$52,879,993

Short-term investments (15.8%) (a)	Value
Principal amount	

\$61,070,145 Putnam Prime Money Market Fund (e)	\$61,070,145
700,000 U.S. Treasury Bill zero %, November 1, 2004 (SEG)	699,911

Total Short-term investments (cost \$61,770,056)	\$61,770,056

Total Investments (cost \$430,971,041)	\$437,747,948

(a) Percentages indicated are based on net assets of \$391,002,232.

(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 October 31, 2004, was \$166,961 or 0.04% 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 October 31, 2004.

(R) Real Estate Investment Trust.

(c) Senior loans are exempt from registration under the Security Act of 1933, as amended, but contain certain restrictions on resale and cannot 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 October 31, 2004. 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.

(e) See Note 4 to the financial statements regarding investments in the 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,

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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 Floating Rate Bonds (FRB) and Floating Rate Notes (FRN) are the current interest rates shown at October 31, 2004.

Forward currency contracts to buy at October 31, 2004
(aggregate face value \$35,511,489)

	Value	Aggregate face value	Delivery date	Unrealized appreciation
Australian Dollar	\$5,176,626	\$4,989,265	12/15/04	\$187,361
British Pound	12,875,109	12,581,696	12/15/04	293,413
Canadian Dollar	29,623	27,605	12/15/04	2,018
Danish Krone	665,788	632,411	12/15/04	33,377
Japanese Yen	15,625,969	15,186,293	12/15/04	439,676
Norwegian Krone	206,437	190,286	12/15/04	16,151
Polish Zloty	259,486	238,897	12/15/04	20,589
Swiss Franc	747,762	702,582	12/15/04	45,180
Taiwan Dollar	977,008	962,454	12/15/04	14,554
				\$1,052,319

Forward currency contracts to sell at October 31, 2004
(aggregate face value \$31,745,955)

	Value	Aggregate face value	Delivery date	Unrealized depreciation
Australian Dollars	\$1,097,274	\$1,081,706	12/15/04	\$ (15,568)
British Pound	877,972	859,892	12/15/04	(18,080)
Canadian Dollars	517,405	476,553	12/15/04	(40,852)
Euro	21,914,143	20,883,421	12/15/04	(1,030,722)
Japanese Yen	10,499	10,108	12/15/04	(391)
New Zealand Dollars	4,213,849	3,994,106	12/15/04	(219,743)
Swedish Krona	4,225,822	3,960,883	12/15/04	(264,939)
Swiss Franc	501,149	479,286	12/15/04	(21,863)
				\$ (1,612,158)

Futures contracts outstanding at October 31, 2004

	Value	Aggregate face value	Expiration date	Unrealized appreciation/ (depreciation)

CBT Interest Rate Swap

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10yr (Long)	\$895,750	\$870,144	Dec-04	\$25,606
Euro-Bobl 5 yr (Long)	7,429,375	7,331,465	Dec-04	97,910
Euro-Bund 10 yr (Long)	8,329,219	8,127,823	Dec-04	201,396
Japanese Government Bond 10 yr (Long)	4,035,227	3,981,910	Dec-04	53,317
Japanese Government Bond 10 yr-TSE (Long)	18,217,010	18,064,108	Dec-04	152,902
U.S. Treasury Bond (Short)	10,359,781	10,233,187	Dec-04	(126,594)
U.S. Treasury Note 10 yr (Long)	8,290,063	8,164,094	Dec-04	125,969
U.S. Treasury Note 5 yr (Short)	27,175,500	26,911,055	Dec-04	(264,445)
				\$266,061

TBA sale commitments outstanding at October 31, 2004
(proceeds receivable \$2,719,438)

Agency	Principal amount	Settlement date	Value
FNMA, 6 1/2s, November 1, 2034	\$2,600,000	11/15/04	\$2,733,250

Interest rate swap contracts outstanding at October 31, 2004

	Notional amount	Termination date	Unrealized appreciation/ (depreciation)
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.	\$9,000,000	3/30/09	\$177,233
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.	4,500,000	1/26/06	14,099
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.	3,496,000	12/5/05	(20,693)
Agreement with Bank of America, N.A. dated January 22, 2004 to			

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pay semi-annually the notional amount multiplied by 4.35% and receive quarterly the notional amount multiplied by the three month USD-LIBOR.	1,400,000	1/27/14	(12,499)
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.	3,157,800	7/9/14	(178,255)
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.	2,798,800	7/9/06	28,648
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.	5,068,000	12/15/13	186,011
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.	4,500,000	1/26/06	14,817
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.	1,400,000	1/26/14	(11,612)
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%.	JPY 1,334,000,000	10/1/07	\$(23,679)
Agreement with Merrill Lynch Capital Services, Inc. dated November 17, 2000 to pay			

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semi-annually the notional amount multiplied by the three month USD-LIBOR-BBA and receive the notional amount multiplied by 6.68%. \$3,500,000 11/21/05 240,653

Agreement with UBS, AG dated April 23, 2004 to receive annually the notional amount multiplied by 3.49% and pay quarterly the notional amount multiplied by the three month SEK-STIBOR-SIDE. SEK 212,000,000 4/27/06 162,180

\$576,903

Credit default contracts outstanding at October 31, 2004

	Notional amount	Unrealized appreciation/ (depreciation)
--	--------------------	---

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 2.35% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.	\$613,630	\$9,245
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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.	613,630	3,199
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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 2.4625% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.	306,815	5,473
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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		
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of the underlying securities in the basket of BB CMBS securities.	230,111	4,375
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.	153,407	1,641
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.	76,704	3,148
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.	76,704	(2,037)
		----- \$25,044 -----

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

Statement of assets and liabilities
October 31, 2004

Assets

Investment in securities, at value (Note 1):	
Unaffiliated issuers (identified cost \$369,900,896)	\$376,677,803
Affiliated issuers (identified cost \$61,070,145) (Note 4)	61,070,145
Cash	520,489
Foreign currency (cost \$2,182,696) (Note 1)	2,245,687
Dividends, interest and other receivables	5,553,181
Receivable for securities sold	4,250,877
Receivable for open forward currency contracts (Note 1)	1,058,512
Receivable for closed forward currency contracts (Note 1)	328,209

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Receivable for open swap contracts (Note 1)	823,641
-----	-----
Receivable for open credit default contracts (Note 1)	27,081
-----	-----
Total assets	452,555,625
Liabilities	
-----	-----
Distributions payable to shareholders	1,705,274
-----	-----
Payable for securities purchased	53,828,658
-----	-----
Payable for variation margin (Note 1)	182,362
-----	-----
Payable for compensation of Manager (Notes 2 and 4)	724,888
-----	-----
Payable for investor servicing and custodian fees (Note 2)	115,829
-----	-----
Payable for Trustee compensation and expenses (Note 2)	39,325
-----	-----
Payable for administrative services (Note 2)	1,644
-----	-----
Payable for open forward currency contracts (Note 1)	1,618,351
-----	-----
Payable for closed forward currency contracts (Note 1)	215,508
-----	-----
Payable for open swap contracts (Note 1)	246,738
-----	-----
Payable for open credit default contracts (Note 1)	2,037
-----	-----
TBA sales commitments, at value (proceeds receivable \$2,719,438) (Note 1)	2,733,250
-----	-----
Other accrued expenses	139,529
-----	-----
Total liabilities	61,553,393
-----	-----
Net assets	\$391,002,232
Represented by	
-----	-----
Paid-in capital (unlimited shares authorized) (Note 1)	\$467,619,358
-----	-----
Undistributed net investment income (Note 1)	883,580
-----	-----
Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(84,641,537)
-----	-----
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	7,140,831
-----	-----
Total -- Representing net assets applicable to capital shares outstanding	\$391,002,232
Computation of net asset value	
-----	-----
Net asset value per share (\$391,002,232 divided by 53,329,917 shares)	\$7.33
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The accompanying notes are an integral part of these financial statements.

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Statement of operations
Year ended October 31, 2004

Investment income:

Interest (including interest income of \$310,560 from investments in affiliated issuers) (Note 4)	\$25,206,523
Dividends	527,895
Total investment income	25,734,418

Expenses:

Compensation of Manager (Note 2)	2,873,512
Investor servicing fees (Note 2)	200,013
Custodian fees (Note 2)	292,684
Trustee compensation and expenses (Note 2)	17,806
Administrative services (Note 2)	10,119
Other	274,726
Fees waived and reimbursed by manager (Note 4)	(30,728)
Total expenses	3,638,132
Expense reduction (Note 2)	(12,932)
Net expenses	3,625,200
Net investment income	22,109,218
Net realized gain on investments (Notes 1 and 3)	10,610,356
Net realized gain on futures contracts (Note 1)	1,028,179
Net realized gain on credit default contracts (Note 1)	28,475
Net realized gain on swap contracts (Note 1)	568,340
Net realized loss on foreign currency transactions (Note 1)	(1,828,113)
Net unrealized depreciation of assets and liabilities in foreign currencies during the year	(199,702)
Net unrealized appreciation of investments, futures contracts, swap contracts, credit default contracts, and TBA sales commitments during the year	6,316,985
Net gain on investments	16,524,520
Net increase in net assets resulting from operations	\$38,633,738

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

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Statement of changes in net assets

	Year ended October 31	
	2004	2003
Increase in net assets		
Operations:		
Net investment income	\$22,109,218	\$26,930,803
Net realized gain on investments and foreign currency transactions	10,407,237	6,949,606
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	6,117,283	37,071,168
Net increase in net assets resulting from operations	38,633,738	70,951,577
Distributions to shareholders: (Note 1)		
From net investment income	(30,449,836)	(27,721,585)
Increase from issuance of common shares in connection with reinvestment of dividends	--	360,652
Total increase in net assets	8,183,902	43,590,644
Net assets		
Beginning of year	382,818,330	339,227,686
End of year (including undistributed net investment income of \$883,580 and \$5,069,939, respectively)	\$391,002,232	\$382,818,330
Number of fund shares		
Shares outstanding at beginning of year	53,329,917	53,275,878
Shares issued in connection with reinvestment of distributions	--	54,039
Shares outstanding at end of year	53,329,917	53,329,917

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

Financial highlights

(For a common share outstanding throughout the period)

	Year ended October 31			
	2004	2003	2002	2001
Per-share operating performance				

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Net asset value, beginning of period	\$7.18	\$6.37	\$6.80	\$7.13
Investment operations:				
Net investment income (a)	.41	.50	.55	.61
Net realized and unrealized gain (loss) on investments	.31 (e)	.83	(.40)	(.31)
Total from investment operations	.72	1.33	.15	.30
Less distributions:				
From net investment income	(.57)	(.52)	(.58)	(.58)
Return of capital	--	--	--	(.05)
Total distributions	(.57)	(.52)	(.58)	(.63)
Net asset value, end of period	\$7.33	\$7.18	\$6.37	\$6.80
Market value, end of period	\$6.510	\$6.570	\$6.150	\$6.530
Total return at market value (%) (b)	7.93	15.48	2.71	11.27
Ratios and supplemental data				
Net assets, end of period (in thousands)	\$391,002	\$382,818	\$339,228	\$361,297
Ratio of expenses to average net assets (%) (c)	.94 (e)	.94	.98	.94
Ratio of net investment income to average net assets (%)	5.74 (e)	7.36	8.22	8.63
Portfolio turnover rate (%)	83.37	118.17 (d)	205.33 (d)	131.14

(a) Per share net investment income has been determined on the basis of the weighted number of shares outstanding during the period.

(b) Total return assumes dividend reinvestment and does not reflect the effect of sales charges.

(c) Includes amounts paid through expense offset arrangements (Note 2).

(d) Portfolio turnover excludes certain treasury note transactions executed in connection with a short-term trading strategy.

(e) Reflects waivers of certain fund expenses in connection with investments in Putnam Prime Money Market Fund during the period. As a result of such waivers, the expenses of the fund for the period ended

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October 31, 2004, reflect a reduction of 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
October 31, 2004

Note 1
Significant accounting policies

Putnam Master Income Trust (the "fund"), a Massachusetts business trust, is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company. The investment objective of the fund is to seek high current income consistent with the preservation of capital. The fund intends to diversify its investments among the following three sectors of the fixed-income securities market: a U.S. investment-grade sector, consisting of debt obligations of the U.S. government and investment-grade U.S. corporate bonds, a high-yield sector, consisting of high yielding, lower-rated U.S. corporate fixed income securities and an international sector, consisting of obligations of foreign governments, their agencies and instrumentalities and other fixed-income securities denominated in foreign currencies. 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 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

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less are valued at amortized cost, which approximates fair value. Other investments, including 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 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 issuers 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) Repurchase agreements The fund, or any joint trading account, through its custodian, receives delivery of the underlying securities, the market value of which at the time of purchase is required to be in an amount at least equal to the resale price, including accrued interest. Collateral for certain tri-party repurchase agreements is held at the counterparty's custodian in a segregated account for the benefit of the fund and the counterparty. Putnam Management is responsible for determining that the value of these underlying securities is at all times at least equal to the resale price, including accrued interest.

D) 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.

E) 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 contracts and assets and liabilities other than investments at the period end, resulting from changes in the exchange rate. Investments in

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foreign securities involve certain risks, including those related to economic instability, unfavorable political developments, and currency fluctuations, not present with domestic investments.

F) 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.

G) 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 an addition 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.

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

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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.

I) 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.

J) 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.

K) 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

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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.

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 October 31, 2004, the fund had a capital loss carryover of \$84,635,859 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
\$22,645,062	October 31, 2007
11,528,221	October 31, 2008
15,951,444	October 31, 2009
34,511,132	October 31, 2010

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. These differences include temporary and permanent differences of losses on wash sale transactions, foreign currency gains and losses, nontaxable dividends, dividends payable, defaulted bond interest, unrealized and realized gains and losses on certain futures contracts, market discount, interest on payment-in-kind securities and income on swap contracts. 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. For the year ended October 31, 2004, the fund reclassified \$4,154,259 to increase undistributed net investment income and \$354,671 to increase paid-in-capital, with an increase to accumulated net realized losses of \$4,508,930.

Unrealized appreciation	\$23,303,602
Unrealized depreciation	(16,771,837)

Net unrealized appreciation	6,531,765

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Undistributed ordinary income	2,398,611
Capital loss carryforward	(84,635,859)
Cost for federal income tax purposes	\$431,216,183

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 0.75% of average weekly net assets.

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 of 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 year ended October 31, 2004, the fund paid PFTC \$492,697 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 year ended October 31, 2004, the fund's expenses were reduced by \$12,932 under these arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$815, 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 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 year ended, October 31, 2004, cost of purchases and proceeds

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from sales of investment securities other than U.S. government securities and short-term investments aggregated \$254,465,959 and \$339,177,174, respectively. Purchases and sales of U.S. government securities aggregated \$32,692,197 and \$7,175,309, respectively.

Note 4

Investment in Putnam
Prime Money Market Fund

The fund invests in the 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 year ended October 31, 2004, management fees paid were reduced by \$30,728 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 \$310,560 for the period ended October 31, 2004.

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

Actions by Trustees

On October 15, 2004, the Trustees of the fund approved the transfer of all of the assets of the fund to Putnam Premier Income Trust in exchange for shares of Putnam Premier Income Trust and the assumption by the Putnam Premier Income Trust of all of the liabilities of the fund. The merger is subject to a number of conditions and there is no guarantee it will occur.

Note 7

Regulatory matters and litigation

On April 8, 2004, Putnam Management entered into agreements with the Securities and Exchange Commission ("SEC") and the Massachusetts Securities Division representing a final settlement of all charges brought against Putnam Management by those agencies on October 28, 2003 in connection 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. The settlement with the SEC requires Putnam Management to pay \$5 million in disgorgement plus a civil monetary penalty of \$50 million, and the settlement with the Massachusetts Securities Division requires Putnam Management to pay \$5 million in restitution and an administrative fine of \$50 million. The settlements also leave intact the process established under an earlier partial settlement with the SEC under which Putnam Management agreed to pay the amount of restitution determined by an independent consultant, which may exceed the disgorgement and restitution amounts specified above, pursuant to a plan to be developed by the independent

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consultant.

Putnam Management, and not the investors in any Putnam fund, will bear all costs, including restitution, civil penalties and associated legal fees stemming from both of these proceedings. 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 has agreed to bear any costs incurred by Putnam funds in connection with these lawsuits. Based on currently available information, 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.

Federal tax information (Unaudited)

The fund has designated 1.11% of the distributions from net investment income as qualifying for the dividends received deduction for corporations.

For its tax year ended October 31, 2004, the fund hereby designates 1.11% or the maximum amount allowable, of its net taxable income as qualified dividends taxed at individual net capital gain rates.

The Form 1099 you receive in January 2005 will show the tax status of all distributions paid to your account in calendar 2004.

Results of October 14, 2004 shareholder meeting (Unaudited)

An annual meeting of shareholders of the fund was held on October 14, 2004. At the meeting, each of the nominees for Trustees was elected, as follows:

Common shares

	Votes for	Votes withheld
Jameson Adkins Baxter	47,395,150	1,724,032
Charles B. Curtis	47,393,979	1,725,202
Myra R. Drucker	47,372,027	1,747,154
Charles E. Haldeman, Jr.	47,368,722	1,750,459
John A. Hill	47,387,789	1,731,392
Ronald J. Jackson	47,394,358	1,724,823
Paul L. Joskow	47,382,177	1,727,004
Elizabeth T. Kennan	47,348,797	1,770,385
John H. Mullin, III	47,392,085	1,727,096
Robert E. Patterson	47,391,829	1,727,353
George Putnam, III	47,367,964	1,751,218
A.J.C. Smith	47,344,359	1,774,822
W. Thomas Stephens	47,370,317	1,748,864
Richard B. Worley	47,384,156	1,735,025

About the Trustees

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Jameson A. Baxter (9/6/43), Trustee since 1994

Ms. Baxter is the President of Baxter Associates, Inc., a private investment firm that she founded in 1986.

Ms. Baxter serves as a Director of ASHTA Chemicals, Inc., Banta Corporation (a printing and digital imaging firm), Ryerson Tull, Inc. (a steel service corporation), Advocate Health Care and BoardSource, formerly the National Center for Nonprofit Boards. She is Chairman Emeritus of the Board of Trustees, Mount Holyoke College, having served as Chairman for five years and as a board member for thirteen years. Until 2002, Ms. Baxter was a Director of Intermatic Corporation (a manufacturer of energy control products).

Ms. Baxter has held various positions in investment banking and corporate finance, including Vice President and Principal of the Regency Group, and Vice President of and Consultant to First Boston Corporation. She is a graduate of Mount Holyoke College.

Charles B. Curtis (4/27/40), Trustee since 2001

Mr. Curtis is President and Chief Operating Officer of the Nuclear Threat Initiative (a private foundation dealing with national security issues) and serves as Senior Advisor to the United Nations Foundation.

Mr. Curtis is a member of the Council on Foreign Relations and the Trustee Advisory Council of the Applied Physics Laboratory, Johns Hopkins University. Until 2003, Mr. Curtis was a member of the Electric Power Research Institute Advisory Council and the University of Chicago Board of Governors for Argonne National Laboratory. Prior to 2002, Mr. Curtis was a Member of the Board of Directors of the Gas Technology Institute and the Board of Directors of the Environment and Natural Resources Program Steering Committee, John F. Kennedy School of Government, Harvard University. Until 2001, Mr. Curtis was a member of the Department of Defense Policy Board and Director of EG&G Technical Services, Inc. (a fossil energy research and development support company).

From August 1997 to December 1999, Mr. Curtis was a Partner at Hogan & Hartson L.L.P., a Washington, D.C. law firm. Prior to May 1997, Mr. Curtis was Deputy Secretary of Energy. He served as Chairman of the Federal Energy Regulatory Commission from 1977 to 1981 and has held positions on the staff of the U.S. House of Representatives, the U.S. Treasury Department, and the SEC.

Myra R. Drucker (1/16/48)

Ms. Drucker is a Vice Chair of the Board of Trustees of Sarah Lawrence College, a Trustee of Commonfund (a not-for-profit firm specializing in asset management for educational endowments and foundations) and a member of the Investment Committee of the Kresge Foundation (a charitable trust). She is also Chair of the New York Stock Exchange (NYSE) Pension Managers Advisory Committee and a member of the Executive Committee of the Committee on Investment of Employee Benefit Assets. Until August 31, 2004, Ms. Drucker was Managing Director and a member of the Board of Directors of General Motors Asset Management and Chief Investment Officer of General Motors Trust Bank. Ms. Drucker also served as a member of the NYSE Corporate Accountability and Listing Standards Committee and the NYSE/NASD IPO Advisory Committee.

Prior to joining General Motors Asset Management in 2001, Ms. Drucker held various executive positions in the investment management industry.

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Ms. Drucker served as Chief Investment Officer of Xerox Corporation (a technology and service company in the document industry), where she was responsible for the investment of the company 's pension assets. Ms. Drucker was also Staff Vice President and Director of Trust Investments for International Paper (a paper, paper distribution, packaging and forest products company) and previously served as Manager of Trust Investments for Xerox Corporation. Ms. Drucker received a B.A. degree in Literature and Psychology from Sarah Lawrence College and pursued graduate studies in economics, statistics and portfolio theory at Temple University.

John A. Hill (1/31/42), Trustee since 1985 and Chairman since 2000

Mr. Hill is Vice Chairman of First Reserve Corporation, a private equity buyout firm that specializes in energy investments in the diversified worldwide energy industry.

Mr. Hill is a Director of Devon Energy Corporation, TransMontaigne Oil Company, Continuum Health Partners of New York and various private companies controlled by First Reserve Corporation, as well as a Trustee of TH Lee, Putnam Investment Trust (a closed-end investment company advised by an affiliate of Putnam Management). He is also a Trustee of Sarah Lawrence College.

Prior to acquiring First Reserve Corporation in 1983, Mr. Hill held executive positions in investment banking and investment management with several firms and with the federal government, including Deputy Associate Director of the Office of Management and Budget and Deputy Director of the Federal Energy Administration. He is active in various business associations, including the Economic Club of New York, and lectures on energy issues in the United States and Europe. Mr. Hill holds a B.A. degree in Economics from Southern Methodist University and pursued graduate studies there as a Woodrow Wilson Fellow.

Ronald J. Jackson (12/17/43), Trustee since 1996

Mr. Jackson is a private investor.

Mr. Jackson is President of the Kathleen and Ronald J. Jackson Foundation (a charitable trust). He is also a member of the Board of Overseers of WGBH (a public television and radio station) as well as a member of the Board of Overseers of the Peabody Essex Museum.

Mr. Jackson is the former Chairman, President and Chief Executive Officer of Fisher-Price, Inc. (a major toy manufacturer), from which he retired in 1993. He previously served as President and Chief Executive Officer of Stride-Rite, Inc. (a manufacturer and distributor of footwear) and of Kenner Parker Toys, Inc. (a major toy and game manufacturer). Mr. Jackson was President of Talbots, Inc. (a distributor of women's apparel) and has held financial and marketing positions with General Mills, Inc. and Parker Brothers (a toy and game company). Mr. Jackson is a graduate of Michigan State University Business School.

Paul L. Joskow (6/30/47), Trustee since 1997

Dr. Joskow is the Elizabeth and James Killian Professor of Economics and Management, and Director of the Center for Energy and Environmental Policy Research at the Massachusetts Institute of Technology.

Dr. Joskow serves as a Director of National Grid Transco (a UK-based holding company with interests in electric and gas transmission and distribution and telecommunications infrastructure) and TransCanada

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Corporation (an energy company focused on natural gas transmission and power services). He also serves on the board of the Whitehead Institute for Biomedical Research (a non-profit research institution) and has been President of the Yale University Council since 1993. Prior to February 2002, he was a Director of State Farm Indemnity Company (an automobile insurance company), and, prior to March 2000, he was a Director of New England Electric System (a public utility holding company).

Dr. Joskow has published five books and numerous articles on topics in industrial organization, government regulation of industry, and competition policy. He is active in industry restructuring, environmental, energy, competition and privatization policies -- serving as an advisor to governments and corporations worldwide. Dr. Joskow holds a Ph.D. and M. Phil from Yale University and B.A. from Cornell University.

Elizabeth T. Kennan (2/25/38), Trustee since 1992

Dr. Kennan is a Partner of Cambus-Kenneth Farm (thoroughbred horse and cattle breeding). She is President Emeritus of Mount Holyoke College.

Dr. Kennan served as Chairman and is now Lead Director of Northeast Utilities and is a Director of Talbots, Inc. She has served as Director on a number of other boards, including Bell Atlantic, Chastain Real Estate, Shawmut Bank, Berkshire Life Insurance and Kentucky Home Life Insurance. She is a Trustee of the National Trust for Historic Preservation, of Centre College and of Midway College in Midway, Kentucky. She is also a member of The Trustees of Reservations. Dr. Kennan has served on the oversight committee of the Folger Shakespeare Library, as President of Five Colleges Incorporated, as a Trustee of Notre Dame University and is active in various educational and civic associations.

As a member of the faculty of Catholic University for twelve years, until 1978, Dr. Kennan directed the post-doctoral program in Patristic and Medieval Studies, taught history and published numerous articles. Dr. Kennan holds a Ph.D. from the University of Washington in Seattle, an M.S. from St. Hilda's College at Oxford University and an A.B. from Mount Holyoke College. She holds several honorary doctorates.

John H. Mullin, III (6/15/41), Trustee since 1997

Mr. Mullin is the Chairman and CEO of Ridgeway Farm (a limited liability company engaged in timber and farming).

Mr. Mullin serves as a Director of The Liberty Corporation (a broadcasting company), Progress Energy, Inc. (a utility company, formerly known as Carolina Power & Light) and Sonoco Products, Inc. (a packaging company). Mr. Mullin is Trustee Emeritus of The National Humanities Center and Washington & Lee University, where he served as Chairman of the Investment Committee. Prior to May 2001, he was a Director of Graphic Packaging International Corp. Prior to February 2004, he was a Director of Alex Brown Realty, Inc.

Mr. Mullin is also a past Director of Adolph Coors Company; ACX Technologies, Inc.; Crystal Brands, Inc.; Dillon, Read & Co., Inc.; Fisher-Price, Inc.; and The Ryland Group, Inc. Mr. Mullin is a graduate of Washington & Lee University and The Wharton Graduate School, University of Pennsylvania.

Robert E. Patterson (3/15/45), Trustee since 1984

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Mr. Patterson is Senior Partner of Cabot Properties, L.P. and Chairman of Cabot Properties, Inc. (a private equity firm investing in commercial real estate).

Mr. Patterson serves as Chairman of the Joslin Diabetes Center and as a Director of Brandywine Trust Company. Prior to June 2003, he was a Trustee of Sea Education Association. Prior to December 2001, he was President and Trustee of Cabot Industrial Trust (a publicly traded real estate investment trust). Prior to February 1998, he was Executive Vice President and Director of Acquisitions of Cabot Partners Limited Partnership (a registered investment adviser involved in institutional real estate investments). Prior to 1990, he served as Executive Vice President of Cabot, Cabot & Forbes Realty Advisors, Inc. (the predecessor company of Cabot Partners) and as a Senior Vice President of the Beal Companies (a real estate management, investment and development firm).

Mr. Patterson practiced law and held various positions in state government and was the founding Executive Director of the Massachusetts Industrial Finance Agency. Mr. Patterson is a graduate of Harvard College and Harvard Law School.

W. Thomas Stephens (9/2/42), Trustee since 1997

Mr. Stephens serves on a number of corporate boards.

Mr. Stephens is Chairman and Chief Executive Officer of Boise Cascade, L.L.C. (a paper, forest products and timberland assets company). Mr. Stephens serves as a Director of TransCanada Pipelines Limited. Until 2004, Mr. Stephens was a Director of Xcel Energy Incorporated (a public utility company), Qwest Communications, and Norske Canada, Inc. (a paper manufacturer). Until 2003, Mr. Stephens was a Director of Mail-Well, Inc. (a diversified printing company). He served as Chairman of Mail-Well until 2001 and as CEO of MacMillan-Bloedel, Ltd. (a forest products company) until 1999.

Prior to 1996, Mr. Stephens was Chairman and Chief Executive Officer of Johns Manville Corporation. He holds B.S. and M.S. degrees from the University of Arkansas.

Richard B. Worley (11/15/45)

Mr. Worley is Managing Partner of Permit Capital, LLC, an investment management firm.

Mr. Worley serves on the Executive Committee of the University of Pennsylvania Medical Center, is a Trustee of The Robert Wood Johnson Foundation (a philanthropic organization devoted to health care issues) and is a Director of The Colonial Williamsburg Foundation (a historical preservation organization). Mr. Worley also serves on the investment committees of Mount Holyoke College and World Wildlife Fund (a wildlife conservation organization).

Prior to joining Permit Capital LLC in 2002, Mr. Worley served as Chief Strategic Officer of Morgan Stanley Investment Management. He previously served as President, Chief Executive Officer and Chief Investment Officer of Morgan Stanley Dean Witter Investment Management and as a Managing Director of Morgan Stanley, a financial services firm. Mr. Worley also was the Chairman of Miller Anderson & Sherrerd, an investment management firm.

Mr. Worley holds a B.S. degree from University of Tennessee and pursued

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graduate studies in economics at the University of Texas.

Charles E. Haldeman, Jr.* (10/29/48)

Mr. Haldeman is President and Chief Executive Officer of Putnam, LLC ("Putnam Investments"). He is a member of Putnam Investments' Executive Board of Directors and Advisory Council. Prior to November 2003, Mr. Haldeman served as Co-Head of Putnam Investments' Investment Division.

Prior to joining Putnam Investments in 2002, Mr. Haldeman held executive positions in the investment management industry. He previously served as Chief Executive Officer of Delaware Investments and President & Chief Operating Officer of United Asset Management. Mr. Haldeman was also a partner and director of Cooke & Bieler, Inc. (an investment management firm).

Mr. Haldeman currently serves as a Trustee of Dartmouth College and as Emeritus Trustee of Abington Memorial Hospital. He is a graduate of Dartmouth College, Harvard Law School and Harvard Business School. Mr. Haldeman is also a Chartered Financial Analyst (CFA) charterholder.

George Putnam, III* (8/10/51), Trustee since 1984 and President since 2000

Mr. Putnam is President of New Generation Research, Inc. (a publisher of financial advisory and other research services), and of New Generation Advisers, Inc. (a registered investment advisor to private funds). Mr. Putnam founded the New Generation companies in 1986.

Mr. Putnam is a Director of The Boston Family Office, LLC (a registered investment adviser). He is a Trustee of St. Mark's School, Shore Country Day School, and until 2002 was a Trustee of the Sea Education Association.

Mr. Putnam previously worked as an attorney with the law firm of Dechert LLP (formerly known as Dechert Price & Rhoads) in Philadelphia. He is a graduate of Harvard College, Harvard Business School and Harvard Law School.

A.J.C. Smith* (4/13/34), Trustee since 1986

Mr. Smith is the Chairman of Putnam Investments and Consultant to Marsh & McLennan Companies, Inc.

Mr. Smith is also a Director of Trident Corp. (a limited partnership with over thirty institutional investors). He is also a Trustee of the Carnegie Hall Society, the Educational Broadcasting Corporation, and the National Museums of Scotland. He is Chairman of the Central Park Conservancy and a Member of the Board of Overseers of the Joan and Sanford I. Weill Graduate School of Medical Sciences of Cornell University. Prior to November 2004, Mr. Smith was a Director of Marsh & McLennan Companies, Inc. Prior to May 2000 and November 1999, Mr. Smith was Chairman and CEO, respectively, of Marsh & McLennan Companies, Inc.

The address of each Trustee is One Post Office Square, Boston, MA 02109.

As of October 31, 2004, there were 110 Putnam Funds. All Trustees other than Ms. Drucker and Messrs. Worley and Haldeman serve as Trustees of all Putnam funds. Ms. Drucker and Messrs. Worley and Haldeman currently serve as Trustees of 82 Putnam funds.

Each Trustee serves for an indefinite term, until his or her

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resignation, retirement at age 72, death, or removal.

* Trustees who are or may be deemed to be "interested persons" (as defined in the Investment Company Act of 1940) of the fund, Putnam Management, Putnam Retail Management, or Marsh & McLennan Companies, Inc., the parent company of Putnam, LLC and its affiliated companies. Messrs. Haldeman, Putnam, III, and Smith are deemed "interested persons" by virtue of their positions as officers of the fund, Putnam Management, Putnam Retail Management or Marsh & McLennan Companies, Inc. and as shareholders of Marsh & McLennan Companies, Inc. Mr. Putnam, III is the President of your fund and each of the other Putnam funds. Mr. Haldeman is President and Chief Executive Officer of Putnam Investments. Mr. Smith serves as a Consultant to Marsh & McLennan Companies, Inc. and as Chairman of Putnam Investments.

Officers

In addition to George Putnam, III, the other officers of the fund are shown below:

Charles E. Porter (7/26/38)
Executive Vice President, Associate Treasurer
and Principal Executive Officer
Since 1989

Managing Director, Putnam Investments
and Putnam Management

Jonathan S. Horwitz (6/4/55)
Senior Vice President and Treasurer
Since 2004

Managing Director, Putnam Investments

Steven D. Krichmar (6/27/58)
Vice President and Principal Financial Officer
Since 2002

Senior Managing Director, Putnam Investments.
Prior to July 2001, Partner,
PricewaterhouseCoopers LLP

Michael T. Healy (1/24/58)
Assistant Treasurer and Principal
Accounting Officer
Since 2000

Managing Director, Putnam Investments

Beth S. Mazor (4/6/58)
Vice President
Since 2002

Senior Vice President, Putnam Investments

Daniel T. Gallagher (2/27/62)
Vice President and Legal and Compliance
Liaison Officer
Since 2004

Vice President, Putnam Investments. Prior to

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2004, Associate, Ropes & Gray LLP; prior to 2000, Law Clerk, Massachusetts Supreme Judicial Court

Francis J. McNamara, III (8/19/55)
Vice President and Chief Legal Officer
Since 2004

Senior Managing Director, Putnam Investments, Putnam Management and Putnam Retail Management. Prior to 2004, General Counsel, State Street Research & Management Company

James P. Pappas (2/24/53)
Vice President
Since 2004

Managing Director, Putnam Investments and Putnam Management. During 2002, Chief Operating Officer, Atalanta/Sosnoff Management Corporation; prior to 2001, President and Chief Executive Officer, UAM Investment Services, Inc.

Richard S. Robie, III (3/30/60)
Vice President
Since 2004

Senior Managing Director, Putnam Investments, Putnam Management and Putnam Retail Management. Prior to 2003, Senior Vice President, United Asset Management Corporation

Charles A. Ruys de Perez (10/17/57)
Vice President and Chief Compliance Officer
Since 2004

Managing Director, Putnam Investments

Mark C. Trenchard (6/5/62)
Vice President and BSA Compliance Officer
Since 2002

Senior Vice President, Putnam Investments

Judith Cohen (6/7/45)
Clerk and Assistant Treasurer
Since 1993

Clerk and Assistant Treasurer, The Putnam Funds

The address of each Officer is One Post Office Square, Boston, MA 02109.

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

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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

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

Independent Registered
Public Accounting Firm

KPMG 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
A.J.C. Smith
W. Thomas Stephens
Richard B. Worley

Officers

George Putnam, III
President

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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
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) anytime 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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www.putnaminvestments.com.

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Item 2. Code of Ethics:

All officers of the Fund, including its principal executive, financial and accounting officers, are employees of Putnam Investment Management, LLC, the Fund's investment manager. As such they are subject to a comprehensive Code of Ethics adopted and administered by Putnam Investments which is designed to protect the interests of the firm and its clients. The Fund has adopted a Code of Ethics which incorporates the Code of Ethics of Putnam Investments with respect to all of its officers and Trustees who are employees of Putnam Investment Management, LLC. For this reason, the Fund has not adopted a separate code of ethics governing its principal executive, financial and accounting officers.

Item 3. Audit Committee Financial Expert:

The Funds' Audit and Pricing Committee is comprised solely of Trustees who are "independent" (as such term has been defined by the Securities and Exchange Commission ("SEC") in regulations implementing Section 407 of the Sarbanes-Oxley Act (the "Regulations")). The Trustees believe that each of the members of the Audit and Pricing Committee also possess a combination of knowledge and experience with respect to financial accounting matters, as well as other attributes, that qualify them for service on the Committee. In addition, the Trustees have determined that all members of the Funds' Audit and Pricing Committee meet the financial literacy requirements of the New York Stock Exchange's rules and that Mr. Patterson, Mr. Stephens and Mr. Worley qualify as "audit committee financial experts" (as such term has been defined by the Regulations) based on their review of their pertinent experience and education. Certain other Trustees, although not on the Audit and Pricing Committee, would also qualify as "audit committee financial experts." The SEC has stated that the designation or identification of a person as an audit committee financial expert pursuant to this Item 3 of Form N-CSR does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Audit and Pricing Committee and the Board of Trustees in the absence of such designation or identification.

Item 4. Principal Accountant Fees and Services:

The following table presents fees billed in each of the last two fiscal years for services rendered to the fund by the fund's independent auditors:

Fiscal year ended	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
October 31, 2004	\$39,250	\$--	\$4,150	\$68
October 31, 2003	\$34,100	\$--	\$3,600	\$--

For the fiscal years ended October 31, 2004 and October 31, 2003, the fund's independent auditors billed aggregate non-audit fees in the amounts of \$4,218 and \$3,600, respectively, to the fund, Putnam Management and any entity controlling, controlled by or under common control with Putnam Management that provides ongoing services to the fund.

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Audit Fees represents fees billed for the fund's last two fiscal years.

Audit-Related Fees represents fees billed in the fund's last two fiscal years for services traditionally performed by the fund's auditor, including accounting consultation for proposed transactions or concerning financial accounting and reporting standards and other audit or attest services not required by statute or regulation.

Tax Fees represent fees billed in the fund's last two fiscal years for tax compliance, tax planning and tax advice services. Tax planning and tax advice services include assistance with tax audits, employee benefit plans and requests for rulings or technical advice from taxing authorities.

All Other Fees Fees represent fees billed for services relating relating interfund trading.

Pre-Approval Policies of the Audit and Pricing Committee. The Audit and Pricing Committee of the Putnam funds has determined that, as a matter of policy, all work performed for the funds by the funds' independent auditors will be pre-approved by the Committee and will generally not be subject to pre-approval procedures.

Under certain circumstances, the Audit and Pricing Committee believes that it may be appropriate for Putnam Investment Management, LLC ("Putnam Management") and certain of its affiliates to engage the services of the funds' independent auditors, but only after prior approval by the Committee. Such requests are required to be submitted in writing to the Committee and explain, among other things, the nature of the proposed engagement, the estimated fees, and why this work must be performed by that particular audit firm. The Committee will review the proposed engagement at its next meeting.

Since May 6, 2003, all work performed by the independent auditors for the funds, Putnam Management and any entity controlling, controlled by or under common control with Putnam Management that provides ongoing services to the fund was pre-approved by the Committee or a member of the Committee pursuant to the pre-approval policies discussed above. Prior to that date, the Committee had a general policy to pre-approve the independent auditor's engagements for non-audit services with the funds, Putnam Management and any entity controlling, controlled by or under common control with Putnam Management that provides ongoing services to the fund.

The following table presents fees billed by the fund's principal auditor for services required to be approved pursuant to paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X.

Fiscal year ended	Audit-Related Fees	Tax Fees	All Other Fees	Total Non- Audit Fees
October 31, 2004	\$--	\$--	\$--	\$--
October 31, 2003	\$--	\$--	\$--	\$--

Item 5. Audit Committee

(a) The fund has a separately-designated audit committee established in accordance with Section 3(a) (58) (A) of the Securities

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Exchange Act of 1934, as amended. The Audit Committee of the fund's Board of Trustees is composed of the following persons:

Myra R. Drucker
Paul L. Joskow (Chairperson)
Robert E. Patterson
W. Thomas Stephens
Richard B. Worley

(b) Not applicable

Item 6. Schedule of Investments: Not applicable

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

Management Investment Companies:

Proxy voting guidelines of the Putnam funds

The proxy voting guidelines below summarize the funds' positions on various issues of concern to investors, and give a general indication of how fund portfolio securities will be voted on proposals dealing with particular issues. The funds' proxy voting service is instructed to vote all proxies relating to fund portfolio securities in accordance with these guidelines, except as otherwise instructed by the Proxy Coordinator, a member of the Office of the Trustees who is appointed to assist in the coordination and voting of the funds' proxies.

The proxy voting guidelines are just that - guidelines. The guidelines are not exhaustive and do not include all potential voting issues. Because proxy issues and the circumstances of individual companies are so varied, there may be instances when the funds may not vote in strict adherence to these guidelines. For example, the proxy voting service is expected to bring to the Proxy Coordinator's attention proxy questions that are company-specific and of a non-routine nature and that, even if covered by the guidelines, may be more appropriately handled on a case-by-case basis.

Similarly, Putnam Management's investment professionals, as part of their ongoing review and analysis of all fund portfolio holdings, are responsible for monitoring significant corporate developments, including proxy proposals submitted to shareholders, and notifying the Proxy Coordinator of circumstances where the interests of fund shareholders may warrant a vote contrary to these guidelines. In such instances, the investment professionals will submit a written recommendation to the Proxy Coordinator and the person or persons designated by Putnam Management's Legal and Compliance Department to assist in processing referral items pursuant to the funds' "Proxy Voting Procedures." The Proxy Coordinator, in consultation with the funds' Senior Vice President, Executive Vice President, and/or the Chair of the Board Policy and Nominating Committee, as appropriate, will determine how the funds' proxies will be voted. When indicated, the Chair of the Board Policy and Nominating Committee may consult with other members of the Committee or the full Board of Trustees.

The following guidelines are grouped according to the types of

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proposals generally presented to shareholders. Part I deals with proposals that have been put forth by management and approved and recommended by a company's board of directors. Part II deals with proposals submitted by shareholders for inclusion in proxy statements. Part III addresses unique considerations pertaining to non-U.S. issuers.

The Putnam funds will disclose their proxy votes in accordance with the timetable established by SEC rules (i.e., not later than August 31 of each year for the most recent 12-month period ended June 30).

I. BOARD-APPROVED PROPOSALS

The vast majority of matters presented to shareholders for a vote involve proposals made by a company itself (sometimes referred to as "management proposals"), which have been approved and recommended by its board of directors. In view of the enhanced corporate governance practices currently being implemented in public companies and of the funds' intent to hold corporate boards accountable for their actions in promoting shareholder interests, the funds' proxies generally will be voted for the decisions reached by majority independent boards of directors, except as otherwise indicated in these guidelines. Accordingly, the funds' proxies will be voted for board-approved proposals, except as follows:

Matters relating to the Board of Directors

Uncontested Election of Directors

The funds' proxies will be voted for the election of a company's nominees for the board of directors, except as follows:

The funds will withhold votes for the entire board of directors if

- * the board does not have a majority of independent directors,
- * the board has not established independent nominating, audit, and compensation committees,
- * the board has more than 19 members or fewer than five members, absent special circumstances,
- * the board has not acted to implement a policy requested in a shareholder proposal that received the support of a majority of the shares of the company at its previous two annual meetings, or
- * the board has adopted or renewed a shareholder rights plan (commonly referred to as a "poison pill") without shareholder approval during the current or prior calendar year.

The funds will withhold votes for any nominee for director who:

- * is considered an independent director by the company and who has received compensation from the company other than for service as a director (e.g., investment banking, consulting, legal, or financial advisory fees),
- * attends less than 75% of board and committee meetings without valid reasons for the absences (e.g., illness, personal emergency, etc.),

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* as a director of a public company (Company A), is employed as a senior executive of another public company (Company B) if a director of Company B serves as a senior executive of Company A (commonly referred to as an "interlocking directorate"), or

* serves on more than five unaffiliated public company boards (for the purpose of this guideline, boards of affiliated registered investment companies will count as one board).

Commentary:

Board independence: Unless otherwise indicated, for the purposes of determining whether a board has a majority of independent directors and independent nominating, audit, and compensation committees, an "independent director" is a director who (1) meets all requirements to serve as an independent director of a company under the final NYSE Corporate Governance Rules (e.g., no material business relationships with the company and no present or recent employment relationship with the company (including employment of an immediate family member as an executive officer)), and (2) has not accepted directly or indirectly any consulting, advisory, or other compensatory fee from the company other than in his or her capacity as a member of the board of directors or any board committee. The funds' Trustees believe that the receipt of compensation for services other than service as a director raises significant independence issues.

Board size: The funds' Trustees believe that the size of the board of directors can have a direct impact on the ability of the board to govern effectively. Boards that have too many members can be unwieldy and ultimately inhibit their ability to oversee management performance. Boards that have too few members can stifle innovation and lead to excessive influence by management.

Time commitment: Being a director of a company requires a significant time commitment to adequately prepare for and attend the company's board and committee meetings. Directors must be able to commit the time and attention necessary to perform their fiduciary duties in proper fashion, particularly in times of crisis. The funds' Trustees are concerned about over-committed directors. In some cases, directors may serve on too many boards to make a meaningful contribution. This may be particularly true for senior executives of public companies (or other directors with substantially full-time employment) who serve on more than a few outside boards. The funds may withhold votes from such directors on a case-by-case basis where it appears that they may be unable to discharge their duties properly because of excessive commitments.

Interlocking directorships: The funds' Trustees believe that interlocking directorships are inconsistent with the degree of independence required for outside directors of public companies.

Corporate governance practices: Board independence depends not only on its members' individual relationships, but also on the board's overall attitude toward management. Independent boards are committed to good corporate governance practices and, by providing objective independent judgment, enhancing shareholder value. The funds may withhold votes on a case-by-case basis from some or all directors who, through their lack of independence, have failed to observe good corporate governance practices or, through specific corporate action, have demonstrated a disregard for the interest of

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shareholders.

Contested Elections of Directors

The funds will vote on a case-by-case basis in contested elections of directors.

Classified Boards

The funds will vote against proposals to classify a board, absent special circumstances indicating that shareholder interests would be better served by this structure.

Commentary: Under a typical classified board structure, the directors are divided into three classes, with each class serving a three-year term. The classified board structure results in directors serving staggered terms, with usually only a third of the directors up for re-election at any given annual meeting. The funds' Trustees generally believe that it is appropriate for directors to stand for election each year, but recognize that, in special circumstances, shareholder interests may be better served under a classified board structure.

Other Board-Related Proposals

The funds will generally vote for board-approved proposals that have been approved by a majority independent board, and on a case-by-case basis on board-approved proposals where the board fails to meet the guidelines' basic independence standards (i.e., majority of independent directors and independent nominating, audit, and compensation committees).

Executive Compensation

The funds generally favor compensation programs that relate executive compensation to a company's long-term performance. The funds will vote on a case-by-case basis on board-approved proposals relating to executive compensation, except as follows:

Except where the funds are otherwise withholding votes for the entire board of directors, the funds will vote for stock option and restricted stock plans that will result in an average annual dilution of 1.67% or less (based on the disclosed term of the plan and including all equity-based plans).

The funds will vote against stock option and restricted stock plans that will result in an average annual dilution of greater than 1.67% (based on the disclosed term of the plan and including all equity-based plans).

The funds will vote against any stock option or restricted stock plan where the company's actual grants of stock options and restricted stock under all equity-based compensation plans during the prior three (3) fiscal years have resulted in an average annual dilution of greater than 1.67%.

The funds will vote against stock option plans that permit the replacing or repricing of underwater options (and against any proposal to authorize such replacement or repricing of underwater options).

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The funds will vote against stock option plans that permit issuance of options with an exercise price below the stock's current market price.

Except where the funds are otherwise withholding votes for the entire board of directors, the funds will vote for an employee stock purchase plan that has the following features: (1) the shares purchased under the plan are acquired for no less than 85% of their market value; (2) the offering period under the plan is 27 months or less; and (3) dilution is 10% or less.

Commentary: Companies should have compensation programs that are reasonable and that align shareholder and management interests over the longer term. Further, disclosure of compensation programs should provide absolute transparency to shareholders regarding the sources and amounts of, and the factors influencing, executive compensation. Appropriately designed equity-based compensation plans can be an effective way to align the interests of long-term shareholders with the interests of management. The funds may vote against executive compensation proposals on a case-by-case basis where compensation is excessive by reasonable corporate standards, or where a company fails to provide transparent disclosure of executive compensation. In voting on a proposal relating to executive compensation, the funds will consider whether the proposal has been approved by an independent compensation committee of the board.

Capitalization

Many proxy proposals involve changes in a company's capitalization, including the authorization of additional stock, the issuance of stock, the repurchase of outstanding stock, or the approval of a stock split. The management of a company's capital structure involves a number of important issues, including cash flow, financing needs, and market conditions that are unique to the circumstances of the company. As a result, the funds will vote on a case-by-case basis on board-approved proposals involving changes to a company's capitalization, except that where the funds are not otherwise withholding votes from the entire board of directors:

The funds will vote for proposals relating to the authorization and issuance of additional common stock (except where such proposals relate to a specific transaction).

The funds will vote for proposals to effect stock splits (excluding reverse stock splits).

The funds will vote for proposals authorizing share repurchase programs.

Commentary: A company may decide to authorize additional shares of common stock for reasons relating to executive compensation or for routine business purposes. For the most part, these decisions are best left to the board of directors and senior management. The funds will vote on a case-by-case basis, however, on other proposals to change a company's capitalization, including the authorization of common stock with special voting rights, the authorization or issuance of common stock in connection with a specific transaction (e.g., an acquisition, merger or reorganization), or the authorization or issuance of preferred stock. Actions such as these involve a number of considerations that may affect a shareholder's

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investment and that warrant a case-by-case determination.

Acquisitions, Mergers, Reincorporations, Reorganizations and Other ----- Transactions -----

Shareholders may be confronted with a number of different types of transactions, including acquisitions, mergers, reorganizations involving business combinations, liquidations, and the sale of all or substantially all of a company's assets, which may require their consent. Voting on such proposals involves considerations unique to each transaction. As a result, the funds will vote on a case-by-case basis on board-approved proposals to effect these types of transactions, except as follows:

The funds will vote for mergers and reorganizations involving business combinations designed solely to reincorporate a company in Delaware.

Commentary: A company may reincorporate into another state through a merger or reorganization by setting up a "shell" company in a different state and then merging the company into the new company. While reincorporation into states with extensive and established corporate laws - notably Delaware - provides companies and shareholders with a more well-defined legal framework, shareholders must carefully consider the reasons for a reincorporation into another jurisdiction, including especially an offshore jurisdiction.

Anti-Takeover Measures -----

Some proxy proposals involve efforts by management to make it more difficult for an outside party to take control of the company without the approval of the company's board of directors. These include the adoption of a shareholder rights plan, requiring supermajority voting on particular issues, the adoption of fair price provisions, the issuance of blank check preferred stock, and the creation of a separate class of stock with disparate voting rights. Such proposals may adversely affect shareholder rights, lead to management entrenchment, or create conflicts of interest. As a result, the funds will vote against board-approved proposals to adopt such anti-takeover measures, except as follows:

The funds will vote on a case-by-case basis on proposals to ratify or approve shareholder rights plans; and

The funds will vote on a case-by-case basis on proposals to adopt fair price provisions.

Commentary: The funds' Trustees recognize that poison pills and fair price provisions may enhance shareholder value under certain circumstances. As a result, the funds will consider proposals to approve such matters on a case-by-case basis.

Other Business Matters -----

Many proxies involve approval of routine business matters, such as changing a company's name, ratifying the appointment of auditors, and procedural matters relating to the shareholder meeting. For the most part, these routine matters do not materially affect

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shareholder interests and are best left to the board of directors and senior management of the company. The funds will vote for board-approved proposals approving such matters, except as follows:

The funds will vote on a case-by-case basis on proposals to amend a company's charter or bylaws (except for charter amendments necessary or to effect stock splits to change a company's name or to authorize additional shares of common stock).

The funds will vote against authorization to transact other unidentified, substantive business at the meeting.

The funds will vote on a case-by-case basis on other business matters where the funds are otherwise withholding votes for the entire board of directors.

Commentary: Charter and bylaw amendments and the transaction of other unidentified, substantive business at a shareholder meeting may directly affect shareholder rights and have a significant impact on shareholder value. As a result, the funds do not view such items as routine business matters. Putnam Management's investment professionals and the funds' proxy voting service may also bring to the Proxy Coordinator's attention company-specific items that they believe to be non-routine and warranting special consideration. Under these circumstances, the funds will vote on a case-by-case basis.

II. SHAREHOLDER PROPOSALS

SEC regulations permit shareholders to submit proposals for inclusion in a company's proxy statement. These proposals generally seek to change some aspect of the company's corporate governance structure or to change some aspect of its business operations. The funds generally will vote in accordance with the recommendation of the company's board of directors on all shareholder proposals, except as follows:

The funds will vote for shareholder proposals to declassify a board, absent special circumstances which would indicate that shareholder interests are better served by a classified board structure.

The funds will vote for shareholder proposals to require shareholder approval of shareholder rights plans.

The funds will vote for shareholder proposals that are consistent with the funds' proxy voting guidelines for board-approved proposals.

The funds will vote on a case-by-case basis on other shareholder proposals where the funds are otherwise withholding votes for the entire board of directors.

Commentary: In light of the substantial reforms in corporate governance that are currently underway, the funds' Trustees believe that effective corporate reforms should be promoted by holding boards of directors - and in particular their independent directors - accountable for their actions, rather than imposing additional legal restrictions on board governance through piecemeal proposals. Generally speaking, shareholder proposals relating to business operations are often motivated primarily by political or social

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concerns, rather than the interests of shareholders as investors in an economic enterprise. As stated above, the funds' Trustees believe that boards of directors and management are responsible for ensuring that their businesses are operating in accordance with high legal and ethical standards and should be held accountable for resulting corporate behavior. Accordingly, the funds will generally support the recommendations of boards that meet the basic independence and governance standards established in these guidelines. Where boards fail to meet these standards, the funds will generally evaluate shareholder proposals on a case-by-case basis.

III. VOTING SHARES OF NON-U.S. ISSUERS

Many of the Putnam funds invest on a global basis, and, as a result, they may be required to vote shares held in non-U.S. issuers - i.e., issuers that are incorporated under the laws of foreign jurisdictions and that are not listed on a U.S. securities exchange or the NASDAQ stock market. Because non-U.S. issuers are incorporated under the laws of countries and jurisdictions outside the U.S., protection for shareholders may vary significantly from jurisdiction to jurisdiction. Laws governing non-U.S. issuers may, in some cases, provide substantially less protection for shareholders. As a result, the foregoing guidelines, which are premised on the existence of a sound corporate governance and disclosure framework, may not be appropriate under some circumstances for non-U.S. issuers.

In many non-U.S. markets, shareholders who vote proxies of a non-U.S. issuer are not able to trade in that company's stock on or around the shareholder meeting date. This practice is known as "share blocking." In countries where share blocking is practiced, the funds will vote proxies only with direction from Putnam Management's investment professionals.

In addition, some non-U.S. markets require that a company's shares be re-registered out of the name of the local custodian or nominee into the name of the shareholder for the meeting. This practice is known as "share re-registration." As a result, shareholders, including the funds, are not able to trade in that company's stock until the shares are re-registered back in the name of the local custodian or nominee. In countries where share re-registration is practiced, the funds will generally not vote proxies.

The funds will vote proxies of non-U.S. issuers in accordance with the foregoing guidelines where applicable, except as follows:

Uncontested Election of Directors

Japan

For companies that have established a U.S.-style corporate structure, the funds will withhold votes for the entire board of directors if

- * the board does not have a majority of outside directors,
- * the board has not established nominating and compensation committees composed of a majority of outside directors, or

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* the board has not established an audit committee composed of a majority of independent directors.

The funds will withhold votes for the appointment of members of a company's board of statutory auditors if a majority of the members of the board of statutory auditors is not independent.

Commentary:

Board structure: Recent amendments to the Japanese Commercial Code give companies the option to adopt a U.S.-style corporate structure (i.e., a board of directors and audit, nominating, and compensation committees). The funds will vote for proposals to amend a company's articles of incorporation to adopt the U.S.-style corporate structure.

Definition of outside director and independent director: Corporate governance principles in Japan focus on the distinction between outside directors and independent directors. Under these principles, an outside director is a director who is not and has never been a director, executive, or employee of the company or its parent company, subsidiaries or affiliates. An outside director is "independent" if that person can make decisions completely independent from the managers of the company, its parent, subsidiaries, or affiliates and does not have a material relationship with the company (i.e., major client, trading partner, or other business relationship; familial relationship with current director or executive; etc.). The guidelines have incorporated these definitions in applying the board independence standards above.

Korea

The funds will withhold votes for the entire board of directors if

* the board does not have a majority of outside directors,

* the board has not established a nominating committee composed of at least a majority of outside directors, or

* the board has not established an audit committee composed of at least three members and in which at least two-thirds of its members are outside directors.

Commentary: For purposes of these guideline, an "outside director" is a director that is independent from the management or controlling shareholders of the company, and holds no interests that might impair performing his or her duties impartially from the company, management or controlling shareholder. In determining whether a director is an outside director, the funds will also apply the standards included in Article 415-2(2) of the Korean Commercial Code (i.e., no employment relationship with the company for a period of two years before serving on the committee, no director or employment relationship with the company's largest shareholder, etc.) and may consider other business relationships that would affect the independence of an outside director.

United Kingdom

The funds will withhold votes for the entire board of directors if

* the board does not have at least a majority of independent

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non-executive directors,

* the board has not established nomination committees composed of a majority of independent non-executive directors, or

* the board has not established compensation and audit committees composed of (1) at least three directors (in the case of smaller companies, two directors) and (2) solely of independent non-executive directors.

The funds will withhold votes for any nominee for director who is considered an independent director by the company and who has received compensation from the company other than for service as a director (e.g., investment banking, consulting, legal, or financial advisory fees).

Commentary:

Application of guidelines: Although the U.K.'s Combined Code on Corporate Governance ("Combined Code") has adopted the "comply and explain" approach to corporate governance, the funds' Trustees believe that the guidelines discussed above with respect to board independence standards are integral to the protection of investors in U.K. companies. As a result, these guidelines will be applied in a prescriptive manner.

Definition of independence: For the purposes of these guidelines, a non-executive director shall be considered independent if the director meets the independence standards in section A.3.1 of the Combined Code (i.e., no material business or employment relationships with the company, no remuneration from the company for non-board services, no close family ties with senior employees or directors of the company, etc.), except that the funds do not view service on the board for more than nine years as affecting a director's independence.

Smaller companies: A smaller company is one that is below the FTSE 350 throughout the year immediately prior to the reporting year.

Canada

In January 2004, Canadian securities regulators issued proposed policies that would impose new corporate governance requirements on Canadian public companies. The recommended practices contained in these new corporate governance requirements mirror corporate governance reforms that have been adopted by the NYSE and other U.S. national securities exchanges and stock markets. As a result, the funds will vote on matters relating to the board of directors of Canadian issuers in accordance with the guidelines applicable to U.S. issuers.

Commentary: Like the U.K.'s Combined Code, the proposed policies on corporate governance issued by Canadian securities regulators embody the "comply and explain" approach to corporate governance. Because the funds' Trustees believe that the board independence standards contained in the proxy voting guidelines are integral to the protection of investors in Canadian companies, these standards will be applied in a prescriptive manner.

Other Matters

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The funds will vote for shareholder proposals calling for a majority of a company's directors to be independent of management.

The funds will vote for shareholder proposals seeking to increase the independence of board nominating, audit, and compensation committees.

The funds will vote for shareholder proposals that implement corporate governance standards similar to those established under U.S. federal law and the listing requirements of U.S. stock exchanges, and that do not otherwise violate the laws of the jurisdiction under which the company is incorporated.

The funds will vote on a case-by-case basis on proposals relating to (1) the issuance of common stock in excess of 20% of the company's outstanding common stock where shareholders do not have preemptive rights, or (2) the issuance of common stock in excess of 100% of the company's outstanding common stock where shareholders have preemptive rights.

As adopted December 10, 2004

Proxy Voting Procedures of the Putnam Funds

The Role of the Funds' Trustees

The Trustees of the Putnam Funds exercise control of the voting of proxies through their Board Policy and Nominating Committee, which is composed entirely of independent Trustees. The Board Policy and Nominating Committee oversees the proxy voting process and participates, as needed, in the resolution of issues which need to be handled on a case-by-case basis. The Committee annually reviews and recommends for approval by the Trustees guidelines governing the Funds' proxy votes, including how the Funds vote on specific proposals and which matters are to be considered on a case-by-case basis. The Trustees are assisted in this process by their independent administrative staff ("Fund Administration"), independent legal counsel, and an independent proxy voting service. The Trustees also receive assistance from Putnam Investment Management, LLC ("Putnam Management"), the Funds' investment adviser, on matters involving investment judgments. In all cases, the ultimate decision on voting proxies rests with the Trustees, acting as fiduciaries on behalf of the shareholders of the Funds.

The Role of the Proxy Voting Service

The Funds have engaged an independent proxy voting service to assist in the voting of proxies. The proxy voting service is responsible for coordinating with the Funds' custodians to ensure that all proxy materials received by the custodians relating to the Funds' portfolio securities are processed in a timely fashion. To the extent applicable, the proxy voting service votes all proxies in accordance with the proxy voting guidelines established by the Trustees. The proxy voting service will refer proxy questions to the Proxy Coordinator (described below) for instructions under circumstances where: (1) the application of the proxy voting guidelines is unclear, (2) a particular proxy question is not covered by the guidelines, or (3) the guidelines call for specific instructions on a case-by-case basis. The proxy voting service is also requested to call to the Proxy Coordinator's attention specific proxy questions which, while governed by a guideline, appear to involve unusual or controversial issues. The Funds also utilize research services relating to proxy questions provided by the proxy voting

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service and by other firms.

The Role of the Proxy Coordinator

Each year, a member of Fund Administration is appointed Proxy Coordinator to assist in the coordination and voting of the Funds' proxies. The Proxy Coordinator will deal directly with the proxy voting service and, in the case of proxy questions referred by the proxy voting service, will solicit voting recommendations and instructions from Fund Administration, the Chair of the Board Policy and Nominating Committee, and Putnam Management's investment professionals, as appropriate. The Proxy Coordinator is responsible for ensuring that these questions and referrals are responded to in a timely fashion and for transmitting appropriate voting instructions to the proxy voting service.

Voting Procedures for Referral Items

As discussed above, the proxy voting service will refer proxy questions to the Proxy Coordinator under certain circumstances. When the application of the proxy voting guidelines is unclear or a particular proxy question is not covered by the guidelines (and does not involve investment considerations), the Proxy Coordinator will assist in interpreting the guidelines and, as appropriate, consult with the Senior Vice President of Fund Administration, the Executive Vice President of Fund Administration and the Chair of the Board Policy and Nominating Committee on how the Funds' shares will be voted.

For proxy questions that require a case-by-case analysis pursuant to the guidelines or that are not covered by the guidelines but involve investment considerations, the Proxy Coordinator will refer such questions, through a written request, to Putnam Management's investment professionals for a voting recommendation. Such referrals will be made in cooperation with the person or persons designated by Putnam Management's Legal and Compliance Department to assist in processing such referral items. In connection with each such referral item, the Legal and Compliance Department will conduct a conflicts of interest review, as described below under "Conflicts of Interest," and provide a conflicts of interest report (the "Conflicts Report") to the Proxy Coordinator describing the results of such review. After receiving a referral item from the Proxy Coordinator, Putnam Management's investment professionals will provide a written recommendation to the Proxy Coordinator and the person or persons designated by the Legal and Compliance Department to assist in processing referral items. Such recommendation will set forth (1) how the proxies should be voted, (2) the basis and rationale for such recommendation, and (3) any contacts the investment professionals have had with respect to the referral item with non-investment personnel of Putnam Management or with outside parties (except for routine communications from proxy solicitors). The Proxy Coordinator will then review the investment professionals' recommendation and the Conflicts Report with the Senior Vice President and/or Executive Vice President in determining how to vote the Funds' proxies. The Proxy Coordinator will maintain a record of all proxy questions that have been referred to Putnam Management's investment professionals, the voting recommendation and the Conflicts Report.

In some situations, the Proxy Coordinator, the Senior Vice President and/or the Executive Vice President may determine that a particular proxy question raises policy issues requiring consultation with the Chair of the Board Policy and Nominating Committee who, in turn, may decide to bring the particular proxy question to the Committee or the full board of Trustees for consideration.

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Conflicts of Interest

Occasions may arise where a person or organization involved in the proxy voting process may have a conflict of interest. A conflict of interest may exist, for example, if Putnam Management has a business relationship with (or is actively soliciting business from) either the company soliciting the proxy or a third party that has a material interest in the outcome of a proxy vote or that is actively lobbying for a particular outcome of a proxy vote. Any individual with knowledge of a personal conflict of interest (e.g., familial relationship with company management) relating to a particular referral item shall disclose that conflict to the Proxy Coordinator and the Legal and Compliance Department and otherwise remove himself or herself from the proxy voting process. The Legal and Compliance Department will review each item referred to Putnam Management's investment professionals to determine if a conflict of interest exists and will provide the Proxy Coordinator with a Conflicts Report for each referral item that (1) describes any conflict of interest; (2) discusses the procedures used to address such conflict of interest; and (3) discloses any contacts from parties outside Putnam Management (other than routine communications from proxy solicitors) with respect to the referral item not otherwise reported in an investment professional's recommendation. The Conflicts Report will also include written confirmation that any recommendation from an investment professional provided under circumstances where a conflict of interest exists was made solely on the investment merits and without regard to any other consideration.

As adopted March 14, 2003

Item 8. Purchases of Equity Securities by Closed-End Management Investment

Companies and Affiliated Purchasers: Not applicable

Item 9. Submission of Matters to a Vote of Security Holders:

Not applicable

Item 10. Controls and Procedures:

(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 on Form N-CSR, that the design and operation of such procedures are generally effective to provide reasonable assurance that information required to be disclosed by the investment company in the reports that it files or submits under the Securities Exchange Act of 1934 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:

(a) The Code of Ethics of The Putnam Funds, which incorporates the

