

PUTNAM MANAGED HIGH YIELD TRUST

Form N-CSR

July 27, 2004

Putnam  
Managed  
High Yield  
Trust

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

ANNUAL REPORT ON PERFORMANCE AND OUTLOOK

5-31-04

[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:

Looking back on the past 12 months in the financial markets, stocks and bonds had generally steady results for most of the period. Markets were lifted by the resurgence of the economy, prompted in part by the 2003 tax cuts and the Federal Reserve Board's low interest-rate policy. Corporate earnings rose to their highest levels in years and many states even experienced minor improvements in tax revenues. However, since March 2004, uncertainty and volatility have returned to the markets. Bonds in particular experienced broad setbacks in April because of concerns that inflation could be sparked by vigorous job creation and rising energy prices. Markets continue to show vulnerability to these concerns and to the situation in Iraq.

As observers of financial markets for many years, we have gained the perspective that periods of uncertainty and transition usually reflect an effort by investors to incorporate new facts into their thinking. The resulting volatility is uncomfortable, but over time, it allows investors to set more realistic expectations for future investment performance. Uncertainty on its own is no reason to alter a well-planned investment strategy.

Putnam's portfolio management teams have monitored recent market movements, relying on their analysis to manage risks and identify opportunities. During the period ended May 31, 2004, your fund's managers have kept the fund well diversified across a wide array of industries and holdings, while taking advantage of those areas of the high-yield market where they saw strength. In the latter part of the period, fixed-income investors became concerned about the potential impact of higher inflation and interest rates on their investments, and all bond sectors were affected. High-yield bonds fared better than other, higher-quality sectors, however. In addition, your fund's

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management team kept abreast of the changing environment, accurately foreseeing that lower-quality bonds would outperform, as they typically do in the early stages of an economic recovery. As a result, your fund's returns at net asset value were ahead of the average return for its Lipper peer group, though your fund lagged its benchmark index.

Respectfully yours,

/S/ JOHN A. HILL

/S/ GEORGE PUTNAM, III

John A. Hill  
Chairman of the Trustees

George Putnam, III  
President of the Funds

July 21, 2004

Report from Fund Management

Fund highlights

- \* For the fiscal year ended May 31, 2004, Putnam Managed High Yield Trust had total returns of 12.95% at net asset value (NAV) and -4.99% at market price.
- \* At NAV, your fund lagged the 13.26% return of its primary benchmark, the JP Morgan Developed High Yield Index, primarily because your fund had less exposure to deeply distressed bonds, which performed strongly during the period in comparison to the benchmark.
- \* The fund's return at NAV was in line with the 12.83% average return of the Lipper High Current Yield Funds (closed-end) category.
- \* The fund reduced its dividend during the period to \$0.054 per share. Please see page 5 for details.
- \* See the Performance Summary beginning on page 7 for complete fund performance, comparative performance, and Lipper data.

Performance commentary

For most of its fiscal year, Putnam Managed High Yield Trust benefited from a continuation of the positive environment that has fostered one of the strongest periods of sustained performance for high-yield bonds in many years. This environment has been characterized by a strengthening economy -- and expectations that the strength would continue -- combined with steadily declining default rates and significant improvements in corporate balance sheets. However, in the final six weeks of the period, the bond market as a whole became more volatile, as stronger-than-expected employment growth and higher oil prices caused concerns about higher inflation and the increased likelihood of Federal Reserve interest-rate hikes later in the year. Although high-yield bonds tend to perform well as the economy strengthens, the general bond-market downturn affected this sector. Your fund weathered the volatility well, however, and management's emphasis on lower-rated bonds helped the fund turn in solid results at NAV. Returns at market price reflect changes in investor demand, supply, and market conditions, as well as investment results; it is possible that the lower return at market price reflects decreasing investor enthusiasm for bond investments in light of anticipated interest-rate increases.

FUND PROFILE

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Putnam Managed High Yield Trust seeks high current income and, as a secondary objective, capital growth, by investing in corporate high-yield bonds. The fund is designed for investors seeking higher fixed-income returns and who are willing to accept the added risks of investing in below-investment-grade bonds.

### Market overview

During the past 12 months, the high-yield market contended with periods of significant volatility in the broader fixed-income markets -- the most severe of which occurred during the summer of 2003 -- but the sector benefited from the strengthening U.S. economy and declining default rates. In addition, higher corporate profits and cash flows -- the byproduct of the economic recovery -- helped improve corporate balance sheets.

As the new calendar year began, low inflation, accommodative Federal Reserve monetary policy, and weak jobs data in February 2004 combined to produce a general bond rally, and the high-yield market followed suit. However, the fiscal year's final months provided strong evidence that the U.S. recovery was steaming along and that the lackluster job market was finally springing to life. Strong employment gains caused a sharp sell-off in Treasuries in April, as investors factored in the high probability of a Federal Reserve rate hike in June, with others to follow in subsequent months. (Investors were proven correct, as the Fed raised rates by a quarter of a percentage point on June 30, a month after period end.) High-yield investors took this as a cue to sell holdings during the latter part of April and May, causing a downturn in the market and a widening of credit spreads (credit spreads are the difference between high-yield bond yields and Treasury yields).

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### MARKET SECTOR PERFORMANCE 12 MONTHS ENDED 5/31/04

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#### Bonds

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JP Morgan Developed High Yield Index (high-yield corporate bond markets)	13.26%
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Lehman Aggregate Bond Index (broad bond market)	-0.44%
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Lehman GNMA Index (Government National Mortgage Association bonds)	1.52%
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Lehman Municipal Bond Index (tax-exempt bonds)	-0.03%
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#### Equities

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S&P 500 Index (broad stock market)	18.33%
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Russell 2000 Index (stocks of small and midsize companies)	30.29%
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MSCI EAFE Index (international stocks)	32.66%
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These indexes provide an overview of performance in different market sectors for the 12 months ended 5/31/04.

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### Strategy overview

In this 12-month period, we continued to seek bonds from a diverse

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variety of sectors in our efforts to enhance the fund's performance while managing its risk exposure. In late 2002, we began a long-term strategy of gradually increasing the weighting, relative to the fund's benchmark, of lower-rated (i.e., lower-quality) bonds in the portfolio -- a strategy that continued throughout the period. We saw two key advantages to this strategy. First, with the improvement in the economy, companies that issued lower-quality bonds were seeing improvements in their businesses, reducing the risk that they would be unable to make interest payments on their debt. As a result, their credit ratings rose and their bonds appreciated in price. Secondly, with interest rates in the high-yield market declining along with those in the rest of the bond market over the past several years, lower-quality bonds have provided higher yields. These lower-quality holdings have provided greater price appreciation due to the improving credit quality of their issuers, while their higher income streams these securities produce have enhanced the bonds' total return ("total return" is the combination of income and price appreciation). In addition, higher-yielding, lower-quality bonds are typically less sensitive to rising interest rates than Treasuries, and this has been the case during the period. At this point, we have begun to consider reducing the fund's emphasis on lower-rated securities. The high-yield market appears to be transitioning from a period of extremely strong returns to one of more stable, moderate returns, and we believe that a smaller overweight to lower-rated bonds may be warranted.

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

### TOP INDUSTRY WEIGHTINGS COMPARED

	as of 11/30/03	as of 5/31/04
Utilities and power	7.8%	8.2%
Chemicals	5.4%	5.9%
Telecommunications	6.7%	5.6%
Gaming and lottery	5.1%	5.5%
Oil and gas	4.1%	3.9%

### Footnote reads:

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

### How fund holdings affected performance

In comparison to the benchmark index, your fund did not substantially overweight or underweight any specific sectors during the period. Instead, we focused on selecting high-yielding bonds issued by companies we felt had solid balance sheets and were able to maintain a steady stream of interest payments. By carefully researching each issue, we also sought to avoid problematic companies (though in the high-yield market, this objective is not guaranteed to be successful). Market sectors that saw strong performance during the period included cable and wireless, financials, transportation, utilities, and manufacturing, and the fund generally participated in these gains. The strength of the overall market, combined with lower interest rates, also allowed companies to refinance their debt. The fund benefited from some

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refinancings in which portfolio holdings were redeemed at prices above par, providing the fund with a profit. Examples included bonds issued by Samsonite, the luggage maker, and Sealy, the well-known mattress company.

[GRAPHIC OMITTED: TOP HOLDINGS]

### TOP HOLDINGS

- 1 DJ TRAC-X NA HY T1  
144A notes 7 3/8s, 2009  
Other
- 2 PSF Group Holdings, Inc.  
144A Class A common stock  
Food
- 3 Legrand SA (France)  
Debs 8 1/2s, 2025  
Manufacturing
- 4 Qwest Corp.  
144A notes 9 1/8s, 2012  
Communications services
- 5 Cablevision Systems Corp.  
144A sr. notes 8s, 2012  
Cable television
- 6 NRG Energy, Inc.  
144A sr. sec. notes 8s, 2013  
Utilities and power
- 7 AEP Industries, Inc.  
sr. sub. notes 9 7/8s, 2007  
Containers
- 8 Calpine Corp.  
144A sec. notes 8 1/2s, 2010  
Utilities and power
- 9 Argo-Tech Corp.  
company guaranty 8 5/8s, 2007  
Aerospace and defense
- 10 Allied Waste North America, Inc.  
company guaranty Ser. B, 7 5/8s, 2006  
Waste management

### Footnote reads:

These holdings represented 9.9% of the fund's net assets as of 5/31/04. The fund's holdings will change over time.

Among the fund's larger positions, Charter Communications was a key contributor. While the firm faced competitive and financial pressures, the company met expectations and management's moves to refinance debt eased investor concerns about the company's liquidity.

The fund's sizeable stake in the chemicals sector also boosted returns, including investments in Huntsman International, a major producer of basic chemicals and petrochemicals like ethylene and propylene. Although

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energy prices were high, leading to skepticism about the sector's prospects, this cyclical sector benefited from the improving economy.

Among the detractors from performance during the period were securities issued by Pegasus Communications, a satellite TV company that filed for bankruptcy. In addition, Trico Marine Services, an energy services company, performed poorly and its bonds defaulted. We have sold the fund's Trico holdings, but the fund still holds a small position in Pegasus convertible preferred stock.

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

The high-yield market has experienced dramatic changes in yield as well as in the spread, or yield difference, compared to Treasuries. Since the beginning of the market rebound in October 2002, yields in the high-yield market have dropped nearly 40%, while the yield spread over Treasuries has narrowed by more than 40%. As a result of these yield declines, the dividend for Putnam Managed High Yield Trust was reduced from \$0.060 to \$0.054 per share in October 2003.

The fund's management team

The fund is managed by the Putnam Core Fixed-Income High-Yield Team. The members of the team are Stephen Peacher (Portfolio Leader), Norm Boucher (Portfolio Member), Paul Scanlon (Portfolio Member), Rosemary Thomsen (Portfolio Member), Jeffrey Kaufman, Geoffrey Kelley, Neal Reiner, Robert Salvin, and Joseph Towell.

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.

After its strong performance in 2003, we believe the high-yield market has entered a new stage. The fundamental backdrop to the market remains positive, with continuing declines in the default rate and a strengthening economy, and last year's dramatic rally in prices reflected much of this good news. Going forward, we believe gains will be derived primarily from the yield advantage that this sector provides over other types of fixed-income securities, as well as any appreciation that arises from continued improvements in credit quality.

While substantial gains have already been achieved, we believe the high-yield market appears likely to outperform higher-quality bond sectors through the remainder of 2004 because high-yield bonds tend to perform better when interest rates rise -- as we expect them to -- than Treasuries and other higher-rated bonds. Although the valuations of high-yield bonds have increased substantially, we believe the market is still fairly valued in a historical context. The yield difference, or spread, over Treasuries, which is a primary indicator of this sector's value, has narrowed considerably in the past year (indicating rising value for high-yield bonds relative to other bond sectors), but we believe that continued spread-narrowing is possible, especially given that Treasury yields are expected to increase. Such narrowing would be a positive indicator for the high-yield market.

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Of course, we remain vigilant about market and economic events, and will keep the portfolio as diverse as possible to mitigate the effects of market volatility caused by potentially higher interest rates.

The views expressed in this report are exclusively those of Putnam Management. They are not meant as investment advice. Lower-rated bonds may offer higher yields in return for more risk. This fund may have a significant portion of its holdings in bonds. 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.

### Performance summary

This section shows your fund's performance during its fiscal year, which ended May 31, 2004. In accordance with regulatory requirements, we also include performance for the most current calendar quarter-end. Performance should always be considered in light of a fund's investment strategy. Data represents past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return, net asset value, and market price will fluctuate and you may have a gain or a loss when you sell your shares.

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#### TOTAL RETURN FOR PERIODS ENDED 5/31/04

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	NAV	Market price	JP Morgan Developed High Yield Index*	Lipper High Current Yield Funds (closed-end) category average
1 year	12.95%	-4.99%	13.26%	12.83%
5 years	17.27	-4.06	29.26	19.76
Annual average	3.24	-0.83	5.27	3.58
10 years	76.26	58.56	--	85.84
Annual average	5.83	4.72	--	6.30
Annual average Life of fund (since 6/25/93)	5.77	4.08	--	6.53

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Performance does not reflect taxes on reinvested distributions.

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

\* This index began operations on 12/31/94.

+ Over the 1-, 5-, and 10-year periods ended 5/31/04, there were 6, 4, and 4 funds, respectively, in this Lipper category.

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TOTAL RETURN FOR PERIODS ENDED 6/30/04 (MOST RECENT CALENDAR QUARTER)

	NAV	Market price
1 year	11.36%	-5.09%
5 years	18.29	-6.02
Annual average	3.42	-1.23
10 years	78.04	69.32
Annual average	5.94	5.41
Annual average Life of fund (since 6/25/93)	5.86	4.02

PRICE AND DISTRIBUTION INFORMATION 12 MONTHS ENDED 5/31/04

Putnam Managed High Yield Trust

Distributions (number)	12
Income 1	\$0.6653
Capital gains 1	--
Return of capital 2	\$0.0067
Total	\$0.6720
Share value:	NAV                      Market price
5/31/03	\$8.45                      \$9.02
5/31/04	8.82                      7.92
Current return (end of period)	
Current dividend rate 3	7.35%                      8.18%

1 Capital gains, if any, are taxable for federal and, in most cases, state purposes. For some investors, investment income may be subject to the federal alternative minimum tax. Income from federally exempt funds may be subject to state and local taxes.

2 See page 40 for details.

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

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



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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

JP Morgan Developed 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 developed markets.

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

Lehman GNMA Index is an unmanaged index of Government National Mortgage Association bonds.

Lehman Municipal Bond Index is an unmanaged index of long-term fixed-rate investment-grade tax-exempt bonds.

Morgan Stanley Capital International (MSCI) EAFE Index is an unmanaged index of international stocks from Europe, Australasia, and the Far East.

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 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

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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 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.

Putnam is committed to managing our mutual funds in the best interests of our shareholders. Our proxy voting guidelines and policies are available on the Putnam Individual Investor Web site, [www.putnaminvestments.com](http://www.putnaminvestments.com), by calling Putnam's Shareholder Services at 1-800-225-1581, or on the SEC's Web site, [www.sec.gov](http://www.sec.gov).

### Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of  
Putnam Managed High Yield Trust:

We have audited the accompanying statement of assets and liabilities of Putnam Managed High Yield Trust, including the fund's portfolio, as of May 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 four years in 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 May 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 Managed High Yield Trust as of May 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 four years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Boston, Massachusetts

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July 2, 2004

The fund's portfolio  
May 31, 2004

Corporate bonds and notes (92.1%) (a)	Value
Principal amount	
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Advertising and Marketing Services (0.2%)	
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\$100,000 Lamar Media Corp. company guaranty 7 1/4s, 2013	\$102,750
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Aerospace and Defense (2.6%)	
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360,000 Argo-Tech Corp. company guaranty 8 5/8s, 2007	366,750
80,000 Argo-Tech Corp. company guaranty Ser. D, 8 5/8s, 2007	81,500
35,000 BE Aerospace, Inc. sr. notes 8 1/2s, 2010	37,188
15,000 BE Aerospace, Inc. sr. sub. notes Ser. B, 8 7/8s, 2011	14,100
220,000 BE Aerospace, Inc. sr. sub. notes Ser. B, 8s, 2008	207,900
240,000 Decrane Aircraft Holdings Co. company guaranty Ser. B, 12s, 2008	156,000
25,000 Hexcel Corp. sr. sub. notes 9 3/4s, 2009	26,063
85,000 K&F Industries, Inc. sr. sub. notes Ser. B, 9 5/8s, 2010	93,075
23,000 K&F Industries, Inc. sr. sub. notes Ser. B, 9 1/4s, 2007	23,345
325,000 L-3 Communications Corp. company guaranty 6 1/8s, 2013	303,875
250,000 Sequa Corp. sr. notes Ser. B, 8 7/8s, 2008	265,000
90,000 Titan Corp. (The) 144A sr. sub. notes 8s, 2011	98,550
60,000 Vought Aircraft Industries, Inc. 144A sr. notes 8s, 2011	56,100
	1,729,446
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Automotive (2.3%)	
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50,000 ArvinMeritor, Inc. notes 8 3/4s, 2012	53,625
145,000 Collins & Aikman Products company guaranty 10 3/4s, 2011	143,550
30,000 Dana Corp. notes 10 1/8s, 2010	33,900
165,000 Dana Corp. notes 9s, 2011	186,863
15,000 Dana Corp. notes 7s, 2029	13,800
40,000 Delco Remy International, Inc. company guaranty 11s, 2009	42,000
95,000 Delco Remy International, Inc. 144A sr. sub. notes 9 3/8s, 2012	91,913
30,000 Dura Operating Corp. company guaranty Ser. B, 8 5/8s, 2012	30,075
105,000 Dura Operating Corp. company guaranty Ser. D, 9s, 2009	101,850

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	150,000	Lear Corp. company guaranty Ser. B, 8.11s, 2009	171,285
EUR	30,000	Lear Corp. sr. notes 8 1/8s, 2008	41,212
	\$70,000	Meritor Automotive, Inc. notes 6.8s, 2009	71,050
	105,000	Metaldyne Corp. 144A sr. notes 10s, 2013	101,325
EUR	50,000	Teksid Aluminum 144A company guaranty 11 3/8s, 2011 (Luxembourg)	61,666
	\$70,000	Tenneco Automotive, Inc. company guaranty Ser. B, 11 5/8s, 2009	75,600
	130,000	Tenneco Automotive, Inc. sec. notes Ser. B, 10 1/4s, 2013	144,300
	165,000	Visteon Corp. sr. notes 8 1/4s, 2010	174,075
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			1,538,089

### Beverage (0.1%)

	45,000	Constellation Brands, Inc. sr. sub. notes Ser. B, 8 1/8s, 2012	47,250
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### Broadcasting (2.7%)

	210,000	British Sky Broadcasting PLC company guaranty 6 7/8s, 2009 (United Kingdom)	229,866
	300,000	DirecTV Holdings, LLC sr. notes 8 3/8s, 2013	331,500
	440,000	Diva Systems Corp. sr. disc. notes Ser. B, 12 5/8s, 2008 (In default) (NON)	1,100
	52,000	Echostar DBS Corp. sr. notes 9 1/8s, 2009	56,940
	280,000	Echostar DBS Corp. sr. notes 6 3/8s, 2011	273,700
	260,000	Granite Broadcasting Corp. 144A sec. notes 9 3/4s, 2010	247,650
	105,000	Gray Television, Inc. company guaranty 9 1/4s, 2011	114,713
	5,719	Knology, Inc. 144A sr. notes 12s, 2009 (PIK)	5,705
	70,000	Pegasus Satellite sr. notes 12 3/8s, 2006	34,300
	52,000	RCN Corp. sr. disc. notes Ser. B, zero %, 2008 (In default) (NON)	27,560
	60,000	Sinclair Broadcast Group, Inc. company guaranty 8 3/4s, 2011	64,200
	301,000	Young Broadcasting, Inc. company guaranty 10s, 2011	310,406
	65,000	Young Broadcasting, Inc. 144A sr. sub. notes 8 3/4s, 2014	63,375
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			1,761,015

### Building Materials (0.6%)

	60,000	Building Materials Corp. company guaranty 8s, 2008	59,700
	95,000	Dayton Superior Corp. sec. notes 10 3/4s, 2008	93,100
	45,000	Interface, Inc. 144A sr. sub. notes	

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	9 1/2s, 2014	44,663
100,000	Nortek Holdings, Inc. 144A sr. notes stepped-coupon zero % (10s, 11/15/07), 2011 (STP)	75,000
65,000	Nortek, Inc. sr. sub. notes Ser. B, 9 7/8s, 2011	71,988
5,000	Owens Corning bonds 7 1/2s, 2018 (In default) (NON)	2,000
120,000	Owens Corning notes 7 1/2s, 2005 (In default) (NON)	48,000
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		394,451

### Cable Television (3.2%)

	10,000 Adelphia Communications Corp. notes Ser. B, 9 7/8s, 2005 (In default) (NON)	10,300
20,000	Adelphia Communications Corp. sr. notes 10 7/8s, 2010 (In default) (NON)	20,950
90,000	Adelphia Communications Corp. sr. notes 10 1/4s, 2011 (In default) (NON)	95,400
5,000	Adelphia Communications Corp. sr. notes 10 1/4s, 2006 (In default) (NON)	5,150
5,000	Adelphia Communications Corp. sr. notes 9 3/8s, 2009 (In default) (NON)	5,250
40,000	Adelphia Communications Corp. sr. notes Ser. B, 9 7/8s, 2007 (In default) (NON)	41,200
80,000	Atlantic Broadband Finance, LLC 144A sr. sub. notes 9 3/8s, 2014	74,800
430,000	Cablevision Systems Corp. 144A sr. notes 8s, 2012	425,700
70,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (12 1/8s, 1/15/07), 2012 (STP)	42,000
35,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (11 3/4s, 5/15/06), 2011 (STP)	23,100
90,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 11 1/8s, 2011	78,300
200,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 3/4s, 2009	174,000
75,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 1/4s, 2010	63,563
265,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10s, 2011	216,638
200,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 9 5/8s, 2009	167,000
20,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 8 5/8s,	

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	2009	16,400
75,000	CSC Holdings, Inc. debs. 7 5/8s, 2018	70,500
125,000	CSC Holdings, Inc. sr. notes 7 7/8s, 2007	130,000
115,000	Mediacom, LLC/Mediacom Capital Corp. sr. notes 9 1/2s, 2013	110,975
90,000	Olympus Cable bank term loan FRN Ser. B, 6s, 2010 (acquired 6/20/02, cost \$78,435) (RES)	87,284
30,000	Quebecor Media, Inc. sr. disc. notes stepped-coupon zero % (13 3/4s, 7/15/06), 2011 (Canada) (STP)	27,450
155,000	Quebecor Media, Inc. sr. notes 11 1/8s, 2011 (Canada)	175,538
50,000	Videotron Ltee company guaranty 6 7/8s, 2014 (Canada)	49,250
	-----	2,110,748
 Chemicals (5.6%)		
	-----	
130,000	Acetex Corp. sr. notes 10 7/8s, 2009 (Canada)	141,050
80,000	Avecia Group PLC company guaranty 11s, 2009 (United Kingdom)	58,400
185,000	Compass Minerals Group, Inc. company guaranty 10s, 2011	205,350
50,000	Compass Minerals International, Inc. sr. disc. notes stepped-coupon zero % (12s, 6/1/08), 2013 (STP)	37,000
130,000	Compass Minerals International, Inc. sr. notes stepped-coupon zero % (12 3/4s, 12/15/07), 2012 (STP)	102,700
35,000	Equistar Chemicals LP notes 8 3/4s, 2009	36,225
290,000	Equistar Chemicals LP/Equistar Funding Corp. company guaranty 10 1/8s, 2008	314,650
60,000	Equistar Chemicals LP/Equistar Funding Corp. sr. notes 10 5/8s, 2011	65,850
180,000	Hercules, Inc. company guaranty 11 1/8s, 2007	209,700
140,000	Hercules, Inc. 144A sr. sub. notes 6 3/4s, 2029	131,600
35,000	Huntsman Advanced Materials, LLC 144A sec. FRN 10s, 2008	35,394
40,000	Huntsman Advanced Materials, LLC 144A sec. notes 11s, 2010	44,500
140,000	Huntsman Co., LLC 144A sr. disc. notes zero %, 2008	80,500
26,448	Huntsman Corp. bank term loan FRN Ser. A, 5.938s, 2007 (acquired various dates from 6/10/02 to 7/17/02, cost \$22,867) (RES)	26,165
20,229	Huntsman Corp. bank term loan FRN Ser. B, 10.1885s, 2007 (acquired various dates from 6/10/02 to 7/17/02, cost \$17,417) (RES)	20,027
220,000	Huntsman ICI Chemicals, Inc. company guaranty 10 1/8s, 2009	226,600

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	270,000	Huntsman ICI Holdings sr. disc. notes zero %, 2009	132,300
EUR	75,000	Huntsman International, LLC sr. sub. notes Ser. EXCH, 10 1/8s, 2009	89,751
	\$75,000	Huntsman, LLC company guaranty 11 5/8s, 2010	80,813
	230,000	ISP Chemco, Inc. company guaranty Ser. B, 10 1/4s, 2011	255,875
	10,000	Lyondell Chemical Co. bonds 11 1/8s, 2012	10,950
	130,000	Lyondell Chemical Co. company guaranty 10 1/2s, 2013	139,750
	100,000	Lyondell Chemical Co. company guaranty 9 1/2s, 2008	103,000
	225,000	Lyondell Chemical Co. notes Ser. A, 9 5/8s, 2007	235,125
	225,000	Millennium America, Inc. company guaranty 9 1/4s, 2008	238,500
	25,000	Millennium America, Inc. 144A sr. notes 9 1/4s, 2008	26,500
	25,000	Nalco Co. 144A sr. notes 7 3/4s, 2011	26,125
EUR	10,000	Nalco Co. 144A sr. notes 7 3/4s, 2011	12,492
EUR	10,000	Nalco Co. 144A sr. sub. notes 9s, 2013	12,388
	\$300,000	Nalco Co. 144A sr. sub. notes 8 7/8s, 2013	313,500
	31,547	PCI Chemicals Canada sec. sr. notes 10s, 2008 (Canada)	29,654
	70,155	Pioneer Companies, Inc. sec. FRN 4.61s, 2006	66,296
	75,000	Resolution Performance Products, LLC sec. notes 8s, 2009	77,063
	25,000	Resolution Performance Products, LLC sr. notes 9 1/2s, 2010	25,563
EUR	5,000	Rhodia SA unsub. Ser. EMTN, 6 1/4s, 2005 (France)	6,231
	\$27,275	Sterling Chemicals, Inc. sec. notes 10s, 2007 (PIK)	25,911
	75,000	United Agri Products 144A sr. notes 8 1/4s, 2011	84,000
		-----	
			3,727,498

### Commercial and Consumer Services (0.9%)

	190,000	Coinmach Corp. sr. notes 9s, 2010	198,550
	181,488	Derby Cycle Corp. (The) sr. notes 10s, 2008 (In default) (NON)	18
DEM	97,550	Derby Cycle Corp. (The) sr. notes 9 3/8s, 2008 (In default) (NON)	6
	\$115,000	IESI Corp. company guaranty 10 1/4s, 2012	124,200
	245,000	Laidlaw International, Inc. sr. notes 10 3/4s, 2011	262,456
		-----	
			585,230

### Communication Services (7.8%)

	60,000 Alamosa Delaware, Inc. company	
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	guaranty 11s, 2010	65,850
50,000	Alamosa Delaware, Inc. company guaranty stepped-coupon zero % (12s, 7/31/05), 2009 (STP)	48,500
75,000	Alamosa Delaware, Inc. 144A sr. notes 8 1/2s, 2012	73,500
35,000	American Cellular Corp. company guaranty 9 1/2s, 2009	30,713
155,000	American Cellular Corp. sr. notes Ser. B, 10s, 2011	136,400
310,000	American Tower Corp. sr. notes 9 3/8s, 2009	331,700
65,000	American Tower Corp. 144A sr. notes 7 1/2s, 2012	62,563
125,000	American Towers, Inc. company guaranty 7 1/4s, 2011	124,375
100,000	Asia Global Crossing, Ltd. sr. notes 13 3/8s, 2010 (Bermuda) (In default) (NON)	9,000
160,000	Centennial Cellular Operating Co. company guaranty 10 1/8s, 2013	163,200
25,000	Cincinnati Bell Telephone Co. company guaranty 6.3s, 2028	21,750
60,000	Cincinnati Bell, Inc. company guaranty 7 1/4s, 2013	56,400
70,000	Cincinnati Bell, Inc. notes 7 1/4s, 2023	64,750
195,000	Cincinnati Bell, Inc. sr. sub. notes 8 3/8s, 2014	174,525
308,182	Colo.com, Inc. 144A sr. notes 13 7/8s, 2010 (In default) (NON)	31
145,000	Crown Castle International Corp. sr. notes 9 3/8s, 2011	156,963
165,000	Dobson Communications Corp. sr. notes 8 7/8s, 2013	129,113
45,000	Eircom Funding notes 8 1/4s, 2013 (Ireland)	45,900
65,000	Fairpoint Communications, Inc. sr. sub. notes 12 1/2s, 2010	68,738
177,439	Firstworld Communication Corp. sr. disc. notes zero %, 2008 (In default) (NON)	18
18,674	Globix Corp. company guaranty 11s, 2008 (PIK)	15,126
150,000	Inmarsat Finance PLC 144A company guaranty 7 5/8s, 2012 (United Kingdom)	148,125
55,000	iPCS, Inc. 144A sr. notes 11 1/2s, 2012	55,550
215,000	iPCS, Inc. sr. disc. notes stepped-coupon zero % (14s, 7/15/05), 2010 (In default) (NON) (STP)	97,825
135,000	Level 3 Financing, Inc. 144A sr. notes 10 3/4s, 2011	118,800
120,000	Madison River Capital Corp. sr. notes 13 1/4s, 2010	130,800
368,000	MCI, Inc. sr. notes 7.735s, 2014	334,420
45,000	MCI, Inc. sr. notes 6.688s, 2009	42,188
205,000	Nextel Communications, Inc. sr. notes 9 1/2s, 2011	229,600
205,000	Nextel Communications, Inc. sr.	



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	notes 9 3/8s, 2009	221,144
175,000	Nextel Communications, Inc. sr. notes 7 3/8s, 2015	176,313
55,000	Nextel Partners, Inc. sr. notes 12 1/2s, 2009	64,075
225,000	Nextel Partners, Inc. sr. notes 8 1/8s, 2011	230,625
50,000	PanAmSat Corp. company guaranty 8 1/2s, 2012	56,000
230,000	Qwest Communications International, Inc. 144A sr. notes 7 1/2s, 2014	209,300
475,000	Qwest Corp. 144A notes 9 1/8s, 2012	503,500
65,000	Qwest Services Corp. 144A notes 14s, 2014	77,025
40,000	Rogers Wireless, Inc. sec. notes 9 5/8s, 2011 (Canada)	45,400
45,000	Rural Cellular Corp. sr. notes 9 7/8s, 2010	45,113
30,000	SBA Communications Corp. sr. notes 10 1/4s, 2009	29,700
55,000	SBA Telecommunications, Inc. 144A sr. disc. notes stepped-coupon zero % (9 3/4s, 12/15/07), 2011 (STP)	40,150
70,000	Triton PCS, Inc. company guaranty 8 3/4s, 2011	61,425
110,000	TSI Telecommunication Services, Inc. company guaranty Ser. B, 12 3/4s, 2009	118,250
87,000	UbiquiTel Operating Co. bonds stepped-coupon zero % (14s, 4/15/05), 2010 (STP)	85,260
65,000	UbiquiTel Operating Co. 144A sr. notes 9 7/8s, 2011	65,000
60,000	US UnWired, Inc. company guaranty stepped-coupon Ser. B, zero % (13 3/8s, 11/1/04), 2009 (STP)	61,800
100,000	Western Wireless Corp. sr. notes 9 1/4s, 2013	103,000
	-----	5,129,503
 Conglomerates (1.2%)		
	-----	
180,000	Tyco International Group SA company guaranty 7s, 2028 (Luxembourg)	186,839
235,000	Tyco International Group SA company guaranty 6 7/8s, 2029 (Luxembourg)	240,475
55,000	Tyco International Group SA company guaranty 6 3/4s, 2011 (Luxembourg)	59,096
325,000	Tyco International Group SA company guaranty 6s, 2013 (Luxembourg)	329,194
5,000	Tyco International Group SA notes 6 3/8s, 2011 (Luxembourg)	5,256
	-----	820,860
 Construction (0.1%)		
	-----	
105,000	Better Minerals & Aggregates Co. company guaranty 13s, 2009	84,000
 Consumer (0.9%)		

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	165,000 Icon Health & Fitness company guaranty 11 1/4s, 2012	179,850
	170,000 Jostens Holding Corp. sr. disc. notes stepped-coupon zero % (10 1/4s, 12/1/08), 2013 (STP)	113,900
	100,000 Jostens, Inc. sr. sub. notes 12 3/4s, 2010	111,500
	215,000 Samsonite Corp. 144A sr. sub. notes 8 7/8s, 2011	215,000
		620,250
Consumer Goods (1.2%)		
	125,000 Armkel, LLC/Armkel Finance sr. sub. notes 9 1/2s, 2009	135,000
	45,000 Elizabeth Arden, Inc. 144A company guaranty 7 3/4s, 2014	44,775
	200,000 Playtex Products, Inc. company guaranty 9 3/8s, 2011	193,500
	140,000 Playtex Products, Inc. 144A sec. notes 8s, 2011	143,850
	135,000 Prestige Brands, Inc. 144A sr. sub. notes 9 1/4s, 2012	128,250
	125,000 Remington Arms Co., Inc. company guaranty 10 1/2s, 2011	120,625
	45,000 Scotts Co. (The) 144A sr. sub. notes 6 5/8s, 2013	44,325
		810,325
Consumer Services (0.4%)		
	100,000 Brand Services, Inc. company guaranty 12s, 2012	114,000
	130,000 Williams Scotsman, Inc. company guaranty 9 7/8s, 2007	126,750
		240,750
Containers (3.0%)		
	370,000 AEP Industries, Inc. sr. sub. notes 9 7/8s, 2007	375,550
	15,000 Berry Plastics Corp. company guaranty 10 3/4s, 2012	16,613
EUR	15,000 Crown Holdings SA bonds 10 1/4s, 2011 (France)	19,782
	\$255,000 Crown Holdings SA notes 10 7/8s, 2013 (France)	285,600
	285,000 Crown Holdings SA notes 9 1/2s, 2011 (France)	309,225
DEM	140,000 Impress Metal Packaging Holding NV sr. sub. notes 9 7/8s, 2007 (Netherlands)	78,142
	\$180,000 Owens-Brockway Glass company guaranty 8 1/4s, 2013	179,100
	90,000 Owens-Brockway Glass company guaranty 7 3/4s, 2011	91,800
	130,000 Owens-Brockway Glass sr. sec. notes 8 3/4s, 2012	136,825

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75,000	Pliant Corp. sec. notes 11 1/8s, 2009	79,500
145,000	Solo Cup Co. 144A sr. sub. notes 8 1/2s, 2014	145,000
210,000	Tekni-Plex, Inc. company guaranty Ser. B, 12 3/4s, 2010	210,000
75,000	Tekni-Plex, Inc. 144A sr. sec. notes 8 3/4s, 2013	72,000
		1,999,137

### Energy (6.2%)

145,000	Arch Western Finance, LLC 144A sr. notes 6 3/4s, 2013	145,000
150,000	Belden & Blake Corp. company guaranty Ser. B, 9 7/8s, 2007	150,000
110,000	BRL Universal Equipment sec. notes 8 7/8s, 2008	117,700
100,000	CHC Helicopter Corp. 144A sr. sub. notes 7 3/8s, 2014 (Canada)	97,500
75,000	Chesapeake Energy Corp. company guaranty 9s, 2012	83,813
45,000	Chesapeake Energy Corp. company guaranty 7 3/4s, 2015	46,463
235,000	Chesapeake Energy Corp. sr. notes 7 1/2s, 2013	242,638
95,000	Comstock Resources, Inc. sr. notes 6 7/8s, 2012	90,250
140,000	Dresser, Inc. company guaranty 9 3/8s, 2011	149,800
14,000	El Paso Energy Partners LP company guaranty Ser. B, 8 1/2s, 2011	15,470
90,000	Encore Acquisition Co. company guaranty 8 3/8s, 2012	96,750
45,000	Encore Acquisition Co. 144A sr. sub. notes 6 1/4s, 2014	42,300
130,000	Exco Resources, Inc. 144A company guaranty 7 1/4s, 2011	129,350
125,000	Forest Oil Corp. company guaranty 7 3/4s, 2014	127,500
50,000	Forest Oil Corp. sr. notes 8s, 2011	53,000
35,000	Forest Oil Corp. sr. notes 8s, 2008	36,838
60,000	Gazprom OAO 144A notes 9 5/8s, 2013 (Russia)	61,425
70,000	Hanover Compressor Co. sr. notes 9s, 2014	71,400
65,000	Hanover Compressor Co. sr. notes 8 5/8s, 2010	66,463
95,000	Hanover Compressor Co. sub. notes zero %, 2007	72,675
65,000	Hanover Equipment Trust sec. notes Ser. A, 8 1/2s, 2008	68,250
65,000	Hornbeck Offshore Services, Inc. sr. notes 10 5/8s, 2008	70,850
65,000	KCS Energy, Inc. 144A sr. notes 7 1/8s, 2012	63,375
50,000	Key Energy Services, Inc. sr. notes 6 3/8s, 2013	47,375
15,000	Leviathan Gas Corp. company guaranty Ser. B, 10 3/8s, 2009	15,778
90,000	Massey Energy Co. sr. notes 6 5/8s,	

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	2010	89,325
130,000	Newfield Exploration Co. sr. notes 7 5/8s, 2011	139,750
75,000	Offshore Logistics, Inc. company guaranty 6 1/8s, 2013	69,750
100,000	Parker Drilling Co. company guaranty Ser. B, 10 1/8s, 2009	105,250
135,000	Peabody Energy Corp. sr. notes 5 7/8s, 2016	122,175
30,000	Pemex Project Funding Master Trust company guaranty 8 5/8s, 2022	31,350
160,000	Pemex Project Funding Master Trust company guaranty 7 3/8s, 2014	162,000
100,000	Petro Geo-Services notes 10s, 2010 (Norway)	102,500
70,000	Plains All American Pipeline LP/Plains All American Finance Corp. company guaranty 7 3/4s, 2012	76,586
100,000	Plains Exploration & Production Co. company guaranty Ser. B, 8 3/4s, 2012	108,000
80,000	Plains Exploration & Production Co. sr. sub. notes 8 3/4s, 2012	86,400
110,000	Pogo Producing Co. sr. sub. notes Ser. B, 8 1/4s, 2011	121,000
10,000	Pride International, Inc. sr. notes 10s, 2009	10,500
77,000	Pride Petroleum Services, Inc. sr. notes 9 3/8s, 2007	78,251
100,000	Seabulk International, Inc. company guaranty 9 1/2s, 2013	102,625
170,000	Star Gas Partners LP/Star Gas Finance Co. sr. notes 10 1/4s, 2013	181,050
25,000	Universal Compression, Inc. sr. notes 7 1/4s, 2010	25,875
45,000	Vintage Petroleum, Inc. sr. notes 8 1/4s, 2012	47,925
25,000	Vintage Petroleum, Inc. sr. sub. notes 7 7/8s, 2011	25,688
220,000	Westport Resources Corp. company guaranty 8 1/4s, 2011	244,200
	-----	
		4,092,163
Entertainment (1.4%)		
	-----	
100,000	AMC Entertainment, Inc. sr. sub. notes 9 7/8s, 2012	105,500
7,000	AMC Entertainment, Inc. sr. sub. notes 9 1/2s, 2011	7,245
100,000	AMC Entertainment, Inc. 144A sr. sub. notes 8s, 2014	96,000
115,000	Cinemark USA, Inc. sr. sub. notes 9s, 2013	125,350
180,000	Cinemark, Inc. 144A sr. disc. notes stepped-coupon zero % (9 3/4s, 3/15/09), 2014 (STP)	114,300
335,000	Six Flags, Inc. sr. notes 8 7/8s, 2010	329,138
155,000	Six Flags, Inc. 144A sr. notes 9 5/8s, 2014	152,869
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930,402

### Financial (1.1%)

	-----	
55,000	Crescent Real Estate Equities LP notes 7 1/2s, 2007 (R)	54,863
145,000	Crescent Real Estate Equities LP sr. notes 9 1/4s, 2009 (R)	158,648
293,473	Finova Group, Inc. notes 7 1/2s, 2009	162,878
66,000	iStar Financial, Inc. sr. notes 8 3/4s, 2008 (R)	72,105
25,000	iStar Financial, Inc. sr. notes 7s, 2008 (R)	25,875
80,000	iStar Financial, Inc. sr. notes 6s, 2010 (R)	77,600
85,000	UBS AG/Jersey Branch sr. notes Ser. EMTN, 9.14s, 2008 (Jersey)	87,763
100,000	Western Financial Bank sub. debs. 9 5/8s, 2012	108,500
	-----	748,232

### Food (1.3%)

	-----	
60,740	Archibald Candy Corp. company guaranty 10s, 2007 (In default) (NON) (PIK)	41,911
35,000	Dean Foods Co. sr. notes 6 5/8s, 2009	35,700
40,000	Del Monte Corp. company guaranty Ser. B, 9 1/4s, 2011	42,900
100,000	Del Monte Corp. sr. sub. notes 8 5/8s, 2012	106,250
45,000	Dole Food Co. sr. notes 8 7/8s, 2011	45,675
35,000	Dole Food Co. sr. notes 8 5/8s, 2009	35,350
130,000	Eagle Family Foods company guaranty Ser. B, 8 3/4s, 2008	93,600
195,000	Land O'Lakes, Inc. sr. notes 8 3/4s, 2011	182,325
140,000	Pinnacle Foods Holding Corp. 144A sr. sub. notes 8 1/4s, 2013	138,250
110,000	Premier International Foods PLC sr. notes 12s, 2009 (United Kingdom)	117,700
	-----	839,661

### Forest Products and Packaging (3.0%)

	-----	
100,000	Appleton Papers, Inc. company guaranty Ser. B, 12 1/2s, 2008	120,000
65,000	Four M Corp. sr. notes Ser. B, 12s, 2006	65,325
75,000	Georgia-Pacific Corp. bonds 7 3/4s, 2029	69,750
130,000	Georgia-Pacific Corp. company guaranty 9 3/8s, 2013	146,575
250,000	Georgia-Pacific Corp. debs. 9 1/2s, 2011	286,250
210,000	Georgia-Pacific Corp. debs. 7.7s, 2015	216,300
EUR	5,000 MDP Acquisitions PLC sr. notes	

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	10 1/8s, 2012 (Ireland)	6,502
\$215,000	MDP Acquisitions PLC sr. notes	
	9 5/8s, 2012 (Ireland)	233,275
62,781	MDP Acquisitions PLC sub. notes	
	15 1/2s, 2013 (Ireland) (PIK)	70,943
75,000	Norske Skog Canada 144A sr. notes	
	7 3/8s, 2014 (Canada)	73,340
145,000	Potlatch Corp. company guaranty 10s,	
	2011	159,500
5,000	Smurfit-Stone Container Corp.	
	company guaranty 8 1/4s, 2012	5,138
10,000	Smurfit-Stone Container Corp.	
	company guaranty 7 1/2s, 2013	9,800
40,000	Stone Container Corp. sr. notes	
	9 3/4s, 2011	43,200
140,000	Stone Container Corp. sr. notes	
	8 3/8s, 2012	144,200
325,000	Stone Container Corp. 144A company	
	guaranty 11 1/2s, 2006	329,875
25,000	Tembec Industries, Inc. company	
	guaranty 7 3/4s, 2012 (Canada)	23,875
		-----
		2,003,848
Gaming & Lottery (5.5%)		
	-----	
110,000	Ameristar Casinos, Inc. company	
	guaranty 10 3/4s, 2009	125,400
20,000	Argosy Gaming Co. sr. sub. notes 9s,	
	2011	22,050
120,000	Argosy Gaming Co. 144A sr. sub.	
	notes 7s, 2014	116,100
160,000	Boyd Gaming Corp. sr. sub. notes	
	8 3/4s, 2012	170,000
30,000	Boyd Gaming Corp. sr. sub. notes	
	7 3/4s, 2012	29,925
70,000	Chumash Casino & Resort Enterprise	
	144A sr. notes 9s, 2010	75,950
155,000	Herbst Gaming, Inc. sec. notes	
	Ser. B, 10 3/4s, 2008	178,250
105,000	Herbst Gaming, Inc. 144A sr. sub.	
	notes 8 1/8s, 2012	105,525
185,000	Hollywood Park, Inc. company	
	guaranty Ser. B, 9 1/4s, 2007	188,700
180,000	Horseshoe Gaming Holdings company	
	guaranty 8 5/8s, 2009	187,650
40,000	Inn of the Mountain Gods 144A sr.	
	notes 12s, 2010	43,600
75,000	Mandalay Resort Group sr. notes	
	6 3/8s, 2011	73,125
10,000	MGM Mirage, Inc. coll. sr. notes	
	6 7/8s, 2008	10,400
160,000	MGM Mirage, Inc. company guaranty	
	8 1/2s, 2010	176,400
60,000	MGM Mirage, Inc. company guaranty	
	6s, 2009	59,475
20,000	Mohegan Tribal Gaming Authority sr.	
	notes 8 1/8s, 2006	21,150
40,000	Mohegan Tribal Gaming Authority sr.	
	sub. notes 8 3/8s, 2011	42,700
220,000	Mohegan Tribal Gaming Authority sr.	
	sub. notes 6 3/8s, 2009	218,350

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155,000	Park Place Entertainment Corp. sr. notes 7 1/2s, 2009	161,588
85,000	Park Place Entertainment Corp. sr. notes 7s, 2013	85,000
95,000	Park Place Entertainment Corp. sr. sub. notes 8 7/8s, 2008	103,313
100,000	Penn National Gaming, Inc. company guaranty Ser. B, 11 1/8s, 2008	110,250
185,000	Penn National Gaming, Inc. sr. sub. notes 8 7/8s, 2010	197,950
95,000	Pinnacle Entertainment, Inc. sr. sub. notes 8 3/4s, 2013	93,338
45,000	Pinnacle Entertainment, Inc. 144A sr. sub. notes 8 1/4s, 2012	42,638
120,000	Resorts International Hotel and Casino, Inc. company guaranty 11 1/2s, 2009	133,200
100,000	Riviera Holdings Corp. company guaranty 11s, 2010	107,250
90,000	Station Casinos, Inc. sr. notes 6s, 2012	86,400
90,000	Station Casinos, Inc. sr. sub. notes 6 7/8s, 2016	84,600
215,000	Trump Atlantic City Associates company guaranty 11 1/4s, 2006	181,675
260,000	Trump Casino Holdings, LLC company guaranty 12 5/8s, 2010	263,900
150,000	Venetian Casino Resort, LLC company guaranty 11s, 2010	172,313
	-----	
		3,668,165

### Health Care (5.7%)

35,000	ALARIS Medical Systems, Inc. sr. sub. notes 7 1/4s, 2011	38,413
233,400	Alderwoods Group, Inc. company guaranty 12 1/4s, 2009	257,907
105,000	AmerisourceBergen Corp. company guaranty 7 1/4s, 2012	107,363
100,000	AmerisourceBergen Corp. sr. notes 8 1/8s, 2008	108,000
170,000	Ardent Health Services, Inc. sr. sub. notes 10s, 2013	180,625
15,000	Biovail Corp. sr. sub. notes 7 7/8s, 2010 (Canada)	14,588
32,528	Dade Behring, Inc. company guaranty 11.91s, 2010	37,245
60,000	Extendicare Health Services, Inc. company guaranty 9 1/2s, 2010	66,150
100,000	Extendicare Health Services, Inc. 144A sr. sub. notes 6 7/8s, 2014	94,000
105,000	Hanger Orthopedic Group, Inc. company guaranty 10 3/8s, 2009	113,400
50,000	HCA, Inc. debs. 7.19s, 2015	50,541
60,000	HCA, Inc. notes 8.36s, 2024	62,122
70,000	HCA, Inc. notes 7.69s, 2025	67,805
10,000	HCA, Inc. notes 7s, 2007	10,588
35,000	HCA, Inc. notes 5 3/4s, 2014	32,495
185,000	Healthsouth Corp. notes 7 5/8s, 2012	182,225
75,000	Healthsouth Corp. sr. notes 8 1/2s, 2008	71,625

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45,000	Healthsouth Corp. sr. notes 8 3/8s, 2011	44,100
45,000	Healthsouth Corp. sr. sub. notes 10 3/4s, 2008	43,313
65,000	Insight Health Services Corp. 144A company guaranty 9 7/8s, 2011	66,138
51,360	Magellan Health Services, Inc. sr. notes Ser. A, 9 3/8s, 2008	55,340
180,000	Mediq, Inc. debs. 13s, 2009 (In default) (NON)	18
130,000	MedQuest, Inc. company guaranty Ser. B, 11 7/8s, 2012	146,250
60,000	NeighborCare, Inc. 144A sr. sub. notes 6 7/8s, 2013	60,300
35,000	Omega Health Care Investors 144A sr. notes 7s, 2014	33,250
120,000	Omnicare, Inc. sr. sub. notes 6 1/8s, 2013	114,600
133,000	PacifiCare Health Systems, Inc. company guaranty 10 3/4s, 2009	151,953
130,000	Province Healthcare Co. sr. sub. notes 7 1/2s, 2013	124,800
40,000	Service Corp. International debs. 7 7/8s, 2013	39,300
15,000	Service Corp. International notes 7.2s, 2006	15,713
5,000	Service Corp. International notes 6 7/8s, 2007	5,075
20,000	Service Corp. International notes 6 1/2s, 2008	20,000
50,000	Service Corp. International notes Ser. (a), 7.7s, 2009	51,000
140,000	Service Corp. International 144A sr. notes 6 3/4s, 2016	128,100
130,000	Stewart Enterprises, Inc. notes 10 3/4s, 2008	144,625
85,000	Tenet Healthcare Corp. notes 7 3/8s, 2013	75,650
10,000	Tenet Healthcare Corp. sr. notes 6 1/2s, 2012	8,500
155,000	Tenet Healthcare Corp. sr. notes 6 3/8s, 2011	132,138
190,000	Tenet Healthcare Corp. sr. notes 5 3/8s, 2006	180,500
245,000	Triad Hospitals, Inc. sr. notes 7s, 2012	246,225
190,000	Triad Hospitals, Inc. sr. sub. notes 7s, 2013	182,400
85,000	Universal Hospital Services, Inc. sr. notes 10 1/8s, 2011	86,700
55,000	Ventas Realty LP/Capital Corp. company guaranty 9s, 2012	60,225
60,000	VWR International, Inc. 144A sr. notes 6 7/8s, 2012	59,400
	-----	
		3,770,705
Homebuilding (1.8%)		
	-----	
80,000	Beazer Homes USA, Inc. company guaranty 8 5/8s, 2011	84,400
25,000	Beazer Homes USA, Inc. company	



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	guaranty 8 3/8s, 2012	26,313
120,000	D.R. Horton, Inc. sr. notes 7 7/8s, 2011	129,900
25,000	D.R. Horton, Inc. sr. notes 6 7/8s, 2013	25,250
50,000	D.R. Horton, Inc. sr. notes 5 7/8s, 2013	47,250
10,000	K. Hovnanian Enterprises, Inc. company guaranty 10 1/2s, 2007	11,475
90,000	K. Hovnanian Enterprises, Inc. company guaranty 8 7/8s, 2012	93,600
50,000	K. Hovnanian Enterprises, Inc. sr. notes 6 1/2s, 2014	45,750
70,000	K. Hovnanian Enterprises, Inc. 144A sr. notes 6 3/8s, 2014	63,000
50,000	Meritage Corp. company guaranty 9 3/4s, 2011	54,500
40,000	Meritage Corp. 144A sr. notes 7s, 2014	37,800
70,000	Schuler Homes, Inc. company guaranty 10 1/2s, 2011	79,800
20,000	Standard Pacific Corp. sr. notes 7 3/4s, 2013	19,900
215,000	Standard Pacific Corp. sr. notes 6 1/4s, 2014	193,500
55,000	Technical Olympic USA, Inc. company guaranty 10 3/8s, 2012	57,200
35,000	Technical Olympic USA, Inc. company guaranty 9s, 2010	36,313
35,000	Technical Olympic USA, Inc. 144A sub. notes 7 1/2s, 2011	32,375
30,000	WCI Communities, Inc. company guaranty 10 5/8s, 2011	32,550
130,000	WCI Communities, Inc. company guaranty 9 1/8s, 2012	138,450
	-----	
		1,209,326

### Household Furniture and Appliances (0.3%)

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200,000	Sealy Mattress Co. 144A sr. sub. notes 8 1/4s, 2014	195,000

### Lodging/Tourism (2.2%)

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73,000	FelCor Lodging LP company guaranty 10s, 2008 (R)	77,745
115,000	Gaylord Entertainment Co. 144A sr. notes 8s, 2013	114,425
155,000	Hilton Hotels Corp. notes 7 5/8s, 2012	165,850
154,000	HMH Properties, Inc. company guaranty Ser. B, 7 7/8s, 2008	157,850
60,000	Host Marriott LP company guaranty Ser. G, 9 1/4s, 2007 (R)	66,000
35,000	Host Marriott LP sr. notes 7 1/8s, 2013 (R)	34,038
98,000	Host Marriott LP sr. notes Ser. E, 8 3/8s, 2006 (R)	102,410
85,000	ITT Corp. debs. 7 3/8s, 2015	84,150
105,000	ITT Corp. notes 6 3/4s, 2005	108,675
210,000	John Q. Hammons Hotels LP/John Q.	

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	Hammons Hotels Finance Corp. III 1st mtge. Ser. B, 8 7/8s, 2012	226,800
90,000	Meristar Hospitality Corp. company guaranty 9 1/8s, 2011 (R)	91,350
105,000	Meristar Hospitality Corp. company guaranty 9s, 2008 (R)	105,525
10,000	Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 7/8s, 2012	10,500
80,000	Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 3/8s, 2007	84,000
	-----	
		1,429,318
 Machinery (1.2%)		
	-----	
EUR	60,000 Flender Holdings 144A sr. notes 11s, 2010 (Germany)	83,157
\$140,000	Manitowoc Co., Inc. (The) company guaranty 10 1/2s, 2012	156,800
EUR	25,000 Manitowoc Co., Inc. (The) company guaranty 10 3/8s, 2011	32,970
\$290,000	Manitowoc Co., Inc. (The) sr. notes 7 1/8s, 2013	290,000
35,000	Terex Corp. company guaranty 9 1/4s, 2011	37,713
190,000	Terex Corp. company guaranty Ser. B, 10 3/8s, 2011	210,900
	-----	
		811,540
 Manufacturing (2.8%)		
	-----	
145,000	Blount, Inc. company guaranty 13s, 2009	152,975
60,000	Blount, Inc. company guaranty 7s, 2005	61,200
75,000	FIMEP SA sr. notes 10 1/2s, 2013 (France)	84,000
93,000	Flowserve Corp. company guaranty 12 1/4s, 2010	105,090
130,000	Invensys PLC notes 9 7/8s, 2011 (United Kingdom)	128,700
56,000	JII Holdings, LLC 144A sec. notes 13s, 2007	50,400
615,000	Legrand SA debs. 8 1/2s, 2025 (France)	633,450
25,000	Motors and Gears, Inc. sr. notes Ser. D, 10 3/4s, 2006	21,000
35,000	Mueller Group, Inc. 144A sec. FRN 5.919s, 2011	35,875
50,000	Mueller Group, Inc. 144A sr. sub. notes 10s, 2012	51,250
85,000	Polypore, Inc. 144A sr. sub. notes 8 3/4s, 2012	85,638
75,000	Roller Bearing Company of America company guaranty Ser. B, 9 5/8s, 2007	73,500
10,000	Siebe PLC 144A notes 7 1/8s, 2007 (United Kingdom)	9,600
165,000	Siebe PLC 144A sr. unsub. 6 1/2s, 2010 (United Kingdom)	143,550
110,000	Trimas Corp. company guaranty	

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	9 7/8s, 2012	118,250
		-----
		1,754,478
Media (0.5%)		
	-----	
	100,000 Affinity Group, Inc. 144A sr. sub. notes 9s, 2012	101,500
	85,000 Capital Records, Inc. 144A company guaranty 8 3/8s, 2009	92,225
	140,000 Vivendi Universal SA sr. notes 6 1/4s, 2008 (France)	146,300
		-----
		340,025
Metal Fabricators (0.2%)		
	-----	
	120,000 Earle M. Jorgensen Co. sec. notes 9 3/4s, 2012	130,800
Metals (2.0%)		
	-----	
	120,000 AK Steel Corp. company guaranty 7 3/4s, 2012	105,000
	80,000 Armco, Inc. sr. notes 8 7/8s, 2008	74,000
	166,278 Doe Run Resources Corp. company guaranty Ser. A1, 11 3/4s, 2008 (acquired various dates from 7/27/01 to 5/13/04, cost \$103,800) (RES) (PIK)	101,430
	175,000 Gerdau Ameristeel Corp. sr. notes 10 3/8s, 2011 (Canada)	192,500
	85,000 International Steel Group, Inc. 144A sr. notes 6 1/2s, 2014	79,263
	10,000 Kaiser Aluminum & Chemical Corp. sr. notes Ser. B, 10 7/8s, 2006 (In default) (NON)	9,950
	120,000 Kaiser Aluminum & Chemical Corp. sr. sub. notes 12 3/4s, 2003 (In default) (DEF) (NON)	10,800
EUR	80,000 SGL Carbon SA 144A sr. notes 8 1/2s, 2012 (Luxembourg)	94,709
	\$110,000 Steel Dynamics, Inc. company guaranty 9 1/2s, 2009	120,450
	175,000 Ucar Finance, Inc. company guaranty 10 1/4s, 2012	195,125
	214,000 United States Steel Corp. sr. notes 9 3/4s, 2010	235,935
	45,000 WCI Steel, Inc. sr. notes Ser. B, 10s, 2004 (In default) (NON)	22,500
	6,875 Wheeling-Pittsburgh Steel Corp. sr. notes 6s, 2010	4,125
	13,751 Wheeling-Pittsburgh Steel Corp. sr. notes 5s, 2011	8,251
	65,000 WHX Corp. sr. notes 10 1/2s, 2005	58,500
		-----
		1,312,538
Other (3.5%)		
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	2,375,000 DJ TRAC-X NA HY T1 144A notes 7 3/8s, 2009	2,276,998

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### Publishing (3.8%)

185,000	Dex Media West, LLC 144A sr. notes 8 1/2s, 2010	201,650
85,000	Dex Media, Inc. 144A disc. notes stepped-coupon zero % (9s, 11/15/08), 2013 (STP)	54,825
250,000	Dex Media, Inc. 144A notes 8s, 2013	238,125
80,000	Garden State Newspapers, Inc. sr. sub. notes 8 5/8s, 2011	83,200
290,618	Hollinger Participation Trust 144A sr. notes 12 1/8s, 2010 (Canada) (PIK)	337,117
95,000	Houghton Mifflin Co. sr. sub. notes 9 7/8s, 2013	97,375
175,000	MediaNews Group, Inc. sr. sub. notes 6 7/8s, 2013	168,875
185,000	PRIMEDIA, Inc. company guaranty 8 7/8s, 2011	184,538
80,000	PRIMEDIA, Inc. company guaranty 7 5/8s, 2008	79,800
135,000	PRIMEDIA, Inc. 144A sr. notes 8s, 2013	128,250
65,000	Reader's Digest Association, Inc. (The) sr. notes 6 1/2s, 2011	64,025
20,000	RH Donnelley Finance Corp. I company guaranty 8 7/8s, 2010	22,000
170,000	RH Donnelley Finance Corp. I 144A sr. notes 8 7/8s, 2010	187,000
85,000	RH Donnelley Finance Corp. I 144A sr. sub. notes 10 7/8s, 2012	99,450
155,000	Vertis, Inc. company guaranty Ser. B, 10 7/8s, 2009	165,463
120,000	Vertis, Inc. sub. notes 13 1/2s, 2009	121,800
110,000	Von Hoffman Press, Inc. company guaranty 10 1/4s, 2009	109,450
118,080	Von Hoffman Press, Inc. debs. 13s, 2009 (PIK)	99,187
105,000	WRC Media Corp. sr. sub. notes 12 3/4s, 2009	89,250
	-----	
		2,531,380

### Restaurants (0.4%)

110,000	Domino's, Inc. sr. sub. notes 8 1/4s, 2011	116,325
140,000	Sbarro, Inc. company guaranty 11s, 2009	117,250
	-----	
		233,575

### Retail (1.8%)

80,000	Asbury Automotive Group, Inc. sr. sub. notes 8s, 2014	74,000
160,000	Autonation, Inc. company guaranty 9s, 2008	179,200
50,000	Finlay Fine Jewelry Corp. 144A sr. notes 8 3/8s, 2012	50,875

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155,000	JC Penney Co., Inc. debs. 7.95s, 2017	171,275
30,000	JC Penney Co., Inc. debs. 7.65s, 2016	32,250
90,000	JC Penney Co., Inc. debs. 7 1/8s, 2023	92,700
20,000	JC Penney Co., Inc. notes 9s, 2012	23,550
5,000	JC Penney Co., Inc. notes 8s, 2010	5,625
100,000	Rite Aid Corp. company guaranty 9 1/2s, 2011	108,000
5,000	Rite Aid Corp. debs. 6 7/8s, 2013	4,450
15,000	Rite Aid Corp. notes 7 1/8s, 2007	15,075
40,000	Rite Aid Corp. sec. notes 8 1/8s, 2010	41,400
75,000	Rite Aid Corp. sr. notes 9 1/4s, 2013	76,875
5,000	Rite Aid Corp. 144A notes 6s, 2005	4,963
195,000	Saks, Inc. company guaranty 7s, 2013	192,075
70,000	Toys R US, Inc. notes 7 5/8s, 2011	70,000
70,000	United Auto Group, Inc. company guaranty 9 5/8s, 2012	74,900
	-----	
		1,217,213

### Technology (2.6%)

82,000	AMI Semiconductor, Inc. company guaranty 10 3/4s, 2013	95,940
87,000	DigitalNet Holdings, Inc. sr. notes 9s, 2010	91,350
115,000	Iron Mountain, Inc. company guaranty 8 5/8s, 2013	122,188
125,000	Iron Mountain, Inc. company guaranty 7 3/4s, 2015	124,063
10,000	Lucent Technologies, Inc. debs. 6 1/2s, 2028	7,550
175,000	Lucent Technologies, Inc. debs. 6.45s, 2029	132,125
10,000	Lucent Technologies, Inc. notes 5 1/2s, 2008	9,300
175,000	Nortel Networks Corp. notes 6 1/8s, 2006 (Canada)	170,844
88,000	ON Semiconductor Corp. company guaranty 13s, 2008	101,200
65,000	SCG Holding Corp. 144A notes zero %, 2011	91,650
110,000	Seagate Technology Hdd Holdings company guaranty 8s, 2009 (Cayman Islands)	115,225
110,000	UGS Corp. 144A sr. sub. notes 10s, 2012	113,025
130,000	Xerox Capital Trust I company guaranty 8s, 2027	113,287
55,000	Xerox Corp. company guaranty 9 3/4s, 2009	60,574
65,000	Xerox Corp. notes Ser. MTN, 7.2s, 2016	60,450
210,000	Xerox Corp. sr. notes 7 5/8s, 2013	207,013
125,000	Xerox Corp. sr. notes 7 1/8s, 2010	125,000
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		1,740,784

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### Textiles (0.7%)

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160,000	Levi Strauss & Co. sr. notes 12 1/4s, 2012	146,000
75,000	Oxford Industries, Inc. 144A sr. notes 8 7/8s, 2011	79,500
40,000	Phillips-Van Heusen Corp. 144A sr. notes 7 1/4s, 2011	39,600
120,000	Russell Corp. company guaranty 9 1/4s, 2010	125,100
68,000	William Carter Holdings Co. (The) company guaranty Ser. B, 10 7/8s, 2011	77,520
		467,720

### Tire & Rubber (0.4%)

	-----	
35,000	Goodyear Tire & Rubber Co. (The) notes 8 1/2s, 2007	34,475
260,000	Goodyear Tire & Rubber Co. (The) notes 7.857s, 2011	225,550
35,000	Goodyear Tire & Rubber Co. (The) notes 6 3/8s, 2008	31,150
		291,175

### Tobacco (0.1%)

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65,000	North Atlantic Trading Co. 144A sr. notes 9 1/4s, 2012	63,375

### Transportation (1.5%)

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221,742	Air2 US 144A sinking fund Ser. D, 12.266s, 2020 (In default) (NON)	2
85,000	Allied Holdings, Inc. company guaranty Ser. B, 8 5/8s, 2007	80,113
95,000	American Airlines, Inc. pass-through certificates Ser. 01-1, 6.817s, 2011	84,075
170,000	Calair, LLC/Calair Capital Corp. company guaranty 8 1/8s, 2008	127,500
70,000	Delta Air Lines, Inc. pass-through certificates Ser. 00-1, 7.779s, 2005	45,798
41,742	Delta Air Lines, Inc. pass-through certificates Ser. 02-1, 7.779s, 2012	27,132
200,000	Kansas City Southern Railway Co. company guaranty 9 1/2s, 2008	217,000
30,000	Kansas City Southern Railway Co. company guaranty 7 1/2s, 2009	30,300
120,000	Navistar International Corp. company guaranty Ser. B, 9 3/8s, 2006	127,800
15,000	Navistar International Corp. sr. notes Ser. B, 8s, 2008	15,300
120,000	Northwest Airlines, Inc. company guaranty 7 5/8s, 2005	114,600
65,631	NWA Trust sr. notes Ser. A, 9 1/4s, 2012	64,646
40,000	Travel Centers of America, Inc. company guaranty 12 3/4s, 2009	46,400

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980,666

Utilities & Power (8.0%)

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13,000	AES Corp. (The) sr. notes 8 7/8s, 2011	13,553
4,000	AES Corp. (The) sr. notes 8 3/4s, 2008	4,080
130,000	AES Corp. (The) 144A sec. notes 9s, 2015	137,800
190,000	AES Corp. (The) 144A sec. notes 8 3/4s, 2013	200,450
170,000	Allegheny Energy Supply 144A bonds 8 1/4s, 2012	164,475
65,000	Allegheny Energy Supply 144A sec. notes 10 1/4s, 2007	70,200
90,000	Calpine Canada Energy Finance company guaranty 8 1/2s, 2008 (Canada)	53,550
30,000	Calpine Corp. 144A sec. notes 8 3/4s, 2013	24,975
440,000	Calpine Corp. 144A sec. notes 8 1/2s, 2010	367,400
50,000	CenterPoint Energy Resources Corp. debs. 6 1/2s, 2008	52,853
25,000	CenterPoint Energy Resources Corp. sr. notes Ser. B, 7 7/8s, 2013	27,856
15,000	CMS Energy Corp. pass-through certificates 7s, 2005	15,075
130,000	CMS Energy Corp. sr. notes 8.9s, 2008	136,175
40,000	CMS Energy Corp. sr. notes 8 1/2s, 2011	40,700
30,000	CMS Energy Corp. 144A sr. notes 7 3/4s, 2010	30,000
30,000	DPL, Inc. bonds 8 1/8s, 2031	28,500
180,000	DPL, Inc. sr. notes 6 7/8s, 2011	180,000
55,000	Dynegy Holdings, Inc. sr. notes 6 7/8s, 2011	45,100
245,000	Dynegy Holdings, Inc. 144A sec. notes 10 1/8s, 2013	259,700
65,000	Dynegy-Roseton Danskamme company guaranty Ser. A, 7.27s, 2010	60,450
100,000	Dynegy-Roseton Danskamme company guaranty Ser. B, 7.67s, 2016	81,500
45,000	Edison Mission Energy sr. notes 10s, 2008	47,250
20,000	Edison Mission Energy sr. notes 7.73s, 2009	18,950
65,000	El Paso Corp. sr. notes 7 3/8s, 2012	54,925
160,000	El Paso Corp. sr. notes Ser. MTN, 7 3/4s, 2032	126,000
30,000	El Paso Natural Gas Co. debs. 8 5/8s, 2022	28,650
30,000	El Paso Natural Gas Co. sr. notes Ser. A, 7 5/8s, 2010	30,375
205,000	El Paso Production Holding Co. company guaranty 7 3/4s, 2013	193,725
115,000	Ferrellgas Partners LP/Ferrellgas Partners Finance 144A sr. notes 6 3/4s, 2014	110,113
35,000	Kansas Gas & Electric debs. 8.29s,	

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	2016	36,446
205,000	Midwest Generation, LLC 144A sec. notes 8 3/4s, 2034	201,925
145,000	Mission Energy Holding Co. sec. notes 13 1/2s, 2008	158,050
115,000	Nevada Power Co. 144A 2nd mtge. 9s, 2013	125,781
175,000	Northwest Pipeline Corp. company guaranty 8 1/8s, 2010	187,906
10,000	Northwestern Corp. debs. 6.95s, 2028 (In default) (NON)	8,150
20,000	Northwestern Corp. notes 8 3/4s, 2012 (In default) (NON)	16,500
25,000	Northwestern Corp. notes 7 7/8s, 2007 (In default) (NON)	20,625
415,000	NRG Energy, Inc. 144A sr. sec. notes 8s, 2013	413,963
100,000	Orion Power Holdings, Inc. sr. notes 12s, 2010	123,000
140,000	PG&E Corp. 144A sec. notes 6 7/8s, 2008	147,000
25,000	PG&E Gas Transmission Northwest sr. notes 7.1s, 2005	25,750
105,000	PSEG Energy Holdings, Inc. notes 7 3/4s, 2007	109,200
85,000	SEMCO Energy, Inc. sr. notes 7 3/4s, 2013	86,913
110,000	SEMCO Energy, Inc. 144A sr. notes 7 3/4s, 2013	100,100
25,000	Sierra Pacific Power Co. 144A general ref. mtge. 6 1/4s, 2012	23,750
165,000	Sierra Pacific Resources 144A sr. notes 8 5/8s, 2014	159,638
20,000	Southern California Edison Co. notes 6 3/8s, 2006	21,037
55,000	Teco Energy, Inc. notes 10 1/2s, 2007	61,600
35,000	Teco Energy, Inc. notes 7.2s, 2011	34,475
55,000	Teco Energy, Inc. notes 7s, 2012	53,213
15,000	Tennessee Gas Pipeline Co. debs. 7s, 2028	13,050
20,000	Transcontinental Gas Pipeline Corp. debs. 7 1/4s, 2026	19,600
105,000	Utilicorp Canada Finance Corp. company guaranty 7 3/4s, 2011 (Canada)	96,600
35,000	Utilicorp United, Inc. sr. notes 9.95s, 2011	35,000
70,000	Western Resources, Inc. sr. notes 9 3/4s, 2007	79,602
25,000	Williams Cos., Inc. (The) notes 8 3/4s, 2032	24,750
25,000	Williams Cos., Inc. (The) notes 8 1/8s, 2012	26,375
95,000	Williams Cos., Inc. (The) notes 7 5/8s, 2019	89,063
120,000	Williams Cos., Inc. (The) sr. notes 8 5/8s, 2010	130,500
65,000	Williams Holdings Of Delaware notes 6 1/2s, 2008	68,250
73,041	York Power Funding 144A notes 12s, 2007 (Cayman Islands) (In default)	



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(NON)

7

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5,302,199

### Waste Management (1.3%)

240,000	Allied Waste North America, Inc. company guaranty Ser. B, 8 1/2s, 2008	259,200
330,000	Allied Waste North America, Inc. company guaranty Ser. B, 7 5/8s, 2006	344,850
90,000	Allied Waste North America, Inc. 144A sec. notes 6 1/2s, 2010	87,075
110,000	Browning-Ferris Industries, Inc. debs. 7.4s, 2035	92,950
100,000	Browning-Ferris Industries, Inc. sr. notes 6 3/8s, 2008	101,000
		----- 885,075 -----
	Total Corporate bonds and notes (cost \$61,221,159)	\$60,927,663

### Common stocks (1.6%) (a)

Number of shares		Value
307	AboveNet, Inc. (NON)	\$9,514
384	Alderwoods Group, Inc. (NON)	4,957
180,000	AMRESKO Creditor Trust (acquired various dates from 5/5/99 to 5/10/00, cost \$38,828) (RES) (NON) (R)	180
40	Arch Wireless, Inc. Class A (NON)	1,268
324	Archibald Candy Corp. (NON)	16
195	Birch Telecom, Inc. (NON)	2
84	Comdisco Holding Co., Inc. (NON)	1,932
505,286	Contifinancial Corp. Liquidating Trust Units	5,053
3,010	Covad Communications Group, Inc. (NON)	6,472
291	Crown Castle International Corp. (NON)	4,286
5,403	Globix Corp. (NON)	13,453
33	Knology, Inc. (NON)	203
19	Leucadia National Corp.	944
1,111	Lodgian, Inc. (NON)	16,443
20,000	Loewen Group International, Inc. (NON)	2
288	Mariner Health Care, Inc. (NON)	4,612
10,434	Pioneer Cos., Inc. (NON)	49,040
136	Polymer Group, Inc. Class A (NON)	1,768
576	PSF Group Holdings, Inc. 144A Class A (NON)	863,685
102	RCN Corp. (NON)	18
10	Sterling Chemicals, Inc. (NON)	220
178	Sun Healthcare Group, Inc. (NON)	1,602
259,509	VFB, LLC (acquired various dates from 12/21/99 to 10/27/00, cost \$214,226) (RES) (NON)	49,307
40,417	VS Holdings, Inc. (NON)	2,021
533	Washington Group International, Inc.	

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(NON)	18,698
-----	
Total Common stocks (cost \$4,247,305)	\$1,055,696
Preferred stocks (1.0%) (a)	
Number of shares	Value
-----	
4,746 Avecia Group PLC \$4.00 pfd. (United Kingdom) (PIK)	\$56,952
1,828 Doane Pet Care Co. \$7.125 pfd. 3 Dobson Communications Corp. 13.00% pfd. (PIK)	76,776 2,055
80 First Republic Capital Corp. 144A 10.50% pfd.	82,800
2,152 iStar Financial, Inc. \$1.95 cum. pfd.	51,670
17 Paxson Communications Corp. 13.25% cum. pfd. (PIK)	151,300
100 PRIMEDIA, Inc. Ser. F, \$9.20 cum. pfd.	8,700
36 Rural Cellular Corp. Ser. B, 11.375% cum. pfd.	30,240
270 Rural Cellular Corp. 12.25% pfd. (PIK)	172,800
-----	
Total Preferred stocks (cost \$762,830)	\$633,293
Foreign government bonds and notes (0.8%) (a)	
Principal amount	Value
-----	
\$35,000 Colombia (Republic of) bonds 10 3/8s, 2033	\$32,305
15,000 Colombia (Republic of) bonds Ser. NOV, 9 3/4s, 2009	15,600
30,000 Colombia (Republic of) notes 10 3/4s, 2013	31,110
10,000 Colombia (Republic of) unsub. 9 3/4s, 2009	10,440
115,000 Ecuador (Republic of) bonds stepped-coupon Ser. REGS, 6s (7s, 8/15/04), 2030 (STP)	81,075
45,000 Peru (Republic of) bonds 8 3/4s, 2033	37,800
60,000 Russia (Federation of) unsub. stepped-coupon 5s (7 1/2s, 3/31/07), 2030 (STP)	54,570
125,000 Ukraine (Government of) 144A bonds 7.65s, 2013	119,750
120,000 United Mexican States bonds Ser. MTN, 8.3s, 2031	125,940
-----	
Total Foreign government bonds and notes (cost \$494,401)	\$508,590
Convertible preferred stocks (0.4%) (a)	
Number of shares	Value
-----	
1,537 Crown Castle International Corp. \$3.125 cv. pfd.	\$69,934
917 Omnicare, Inc. \$2.00 cv. pfd.	57,459

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1,112 Pegasus Communications Corp. Ser. C, 6.50% cum. cv. pfd.	35,028
1,160 Williams Cos., Inc. (The) 144A \$2.75 cv. pfd.	82,215
	-----
Total Convertible preferred stocks (cost \$236,000)	\$244,636

Units (0.3%) (a)	
Number of units	Value
	-----
160,000 Morrison Knudsen Corp. zero %, 2032	\$21,600
446 XCL Equity Units	197,851
	-----
Total Units (cost \$913,153)	\$219,451

Convertible bonds and notes (0.2%) (a)	
Principal amount	Value
	-----
\$20,000 AES Corp. (The) cv. sub. notes 4 1/2s, 2005	\$19,675
85,000 Amkor Technologies, Inc. cv. notes 5 3/4s, 2006	81,281
490,000 Cybernet Internet Services International, Inc. 144A cv. sr. disc. notes stepped-coupon zero % (13s, 8/15/04) 2009 (Denmark) (In default) (NON) (STP)	5
5,000 Tower Automotive, Inc. cv. sub. notes 5s, 2004	5,000
30,000 WCI Communities, Inc. cv. sr. sub. notes 4s, 2023	33,075
	-----
Total Convertible bonds and notes (cost \$544,771)	\$139,036

Brady bonds (0.1%) (a) (cost \$67,374)	
Principal amount	Value
	-----
\$72,800 Peru (Republic of) FRB Ser. PDI, 5s, 2017	\$61,334

Asset-backed securities (0.1%) (a) (cost \$60,000)	
Principal amount	Value
	-----
\$60,000 Verdi Synthetic CLO 144A Ser. 1A, Class E2, 11.15s, 2010	\$60,263

Warrants (0.3%) (a) (NON)		
Number of warrants	Expiration date	Value
		-----
108 AboveNet, Inc.	9/8/08	\$864
127 AboveNet, Inc.	9/8/10	635
200 Dayton Superior Corp. 144A	6/15/09	2
1 Doe Run Resources Corp. 144A	12/31/12	1
205 Huntsman Co., LLC 144A	5/15/11	36,900
89 MDP Acquisitions PLC 144A (Ireland)	10/1/13	2,937
70 Mikohn Gaming Corp. 144A	8/15/08	28
8 NTL, Inc.	1/13/11	62
80 Pliant Corp. 144A	6/1/10	1
84 Solutia, Inc. 144A	7/15/09	1
120 Travel Centers of America, Inc. 144A	5/1/09	600

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350 Ubiquitel, Inc. 144A	4/15/10	1
329 Washington Group International, Inc. Ser. A	1/25/06	3,074
376 Washington Group International, Inc. Ser. B	1/25/06	2,801
202 Washington Group International, Inc. Ser. C	1/25/06	1,343
190 XM Satellite Radio Holdings, Inc. 144A	3/15/10	9,500
		-----
Total Warrants (cost \$159,790)		\$58,750

Short-term investments (2.7%) (a)	Value
Principal amount	
\$162,506 Short-term investments held as collateral for loaned securities with yields ranging from 1.00% to 1.21% and due dates ranging from June 1, 2004 to June 11, 2004 (d)	\$162,496
1,621,889 Putnam Prime Money Market Fund (e)	1,621,889
-----	
Total Short-term investments (cost \$1,784,385)	\$1,784,385
-----	
Total Investments (cost \$70,491,168)	\$65,693,097
-----	

(a) Percentages indicated are based on net assets of \$66,178,621.

(DEF) Security is in default of principal and interest.

(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 May 31, 2004 was \$284,393 or 0.4% of net assets.

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

(R) Real Estate Investment Trust.

(d) See Note 1 to the financial statements.

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

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

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

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Forward currency contracts to buy at May 31, 2004  
(aggregate face value \$106,888)

	Value	Aggregate face value	Delivery date	Unrealized appreciation
British Pound	\$36,315	\$36,224	9/15/04	\$91
Euro	71,158	70,664	9/15/04	494
				\$585

Forward currency contracts to sell at May 31, 2004  
(aggregate face value \$591,493)

	Value	Aggregate face value	Delivery date	Unrealized depreciation
Euro	\$596,184	\$591,493	9/15/04	\$(4,691)

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

Statement of assets and liabilities  
May 31, 2004

### Assets

Investments in securities, at value, including \$172,909 of securities on loan (identified cost \$70,491,168) (Note 1)	\$65,693,097
Cash	58,315
Foreign currency (cost \$19,910) (Note 1)	20,078
Dividends, interest and other receivables	1,418,238
Receivable for securities sold	454,840
Receivable for open forward currency contracts (Note 1)	585
Receivable for closed forward currency contracts (Note 1)	22,274
Total assets	67,667,427

### Liabilities

Distributions payable to shareholders	405,334
Payable for securities purchased	733,054
Payable for compensation of Manager (Note 2)	128,516
Payable for investor servicing and custodian fees (Note 2)	24,476
Payable for Trustee compensation and expenses (Note 2)	26,986
Payable for administrative services (Note 2)	520
Payable for open forward currency contracts (Note 1)	4,691

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Payable for closed forward currency contracts (Note 1)	328
Collateral on securities loaned, at value (Note 1)	162,496
Other accrued expenses	2,405
Total liabilities	1,488,806
Net assets	\$66,178,621
Represented by	
Paid-in capital (Note 1)	\$104,868,809
Distributions in excess of net investment income (Note 1)	(667,383)
Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(33,220,526)
Net unrealized depreciation of investments and assets and liabilities in foreign currencies	(4,802,279)
Total -- Representing net assets applicable to capital shares outstanding	\$66,178,621
Computation of net asset value	
Net asset value per share (\$66,178,621 divided by 7,507,107 shares)	\$8.82

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

Statement of operations  
Year ended May 31, 2004

Investment income:

Interest (including interest income of \$811 from investment in affiliated issuers) (Note 4)	\$5,647,355
Dividends	183,393
Securities lending	818
Total investment income	5,831,566

Expenses:

Compensation of Manager (Note 2)	499,185
Investor servicing and custodian fees (Note 2)	158,841
Trustee compensation and expenses (Note 2)	11,210
Administrative services (Note 2)	4,981
Other	119,369

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Fees waived and reimbursed by Manager (Note 4)	(155)
<hr/>	
Total expenses	793,431
<hr/>	
Expense reduction (Note 2)	(1,008)
<hr/>	
Net expenses	792,423
<hr/>	
Net investment income	5,039,143
<hr/>	
Net realized loss on investments (Notes 1 and 3)	(787,079)
<hr/>	
Net realized loss on foreign currency transactions (Note 1)	(59,657)
<hr/>	
Net unrealized appreciation of assets and liabilities in foreign currencies during the year	17,725
<hr/>	
Net unrealized appreciation of investments during the year	3,594,932
<hr/>	
Net gain on investments	2,765,921
<hr/>	
Net increase in net assets resulting from operations	\$7,805,064
<hr/>	

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

### Statement of changes in net assets

	Year ended May 31	
	2004	2003
Increase (decrease) in net assets		
<hr/>		
Operations:		
<hr/>		
Net investment income	\$5,039,143	\$5,448,345
<hr/>		
Net realized loss on investments and foreign currency transactions	(846,736)	(6,483,586)
<hr/>		
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	3,612,657	6,451,978
<hr/>		
Net increase in net assets resulting from operations	7,805,064	5,416,737
<hr/>		
Distributions to shareholders: (Note 1)		
<hr/>		
From net investment income	(4,993,812)	(5,721,276)
<hr/>		
From return of capital	(50,354)	(103,566)
<hr/>		
Total increase (decrease) in net assets	2,760,898	(408,105)
<hr/>		
Net assets		
<hr/>		
Beginning of year	63,417,723	63,825,828
<hr/>		
End of year (including distributions in excess of net investment income of \$667,383 and \$1,292,445, respectively)	\$66,178,621	\$63,417,723

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Number of fund shares

Shares outstanding at beginning and end of year	7,507,107	7,507,107
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The accompanying notes are an integral part of these financial statements.

Financial highlights

(For a common share outstanding throughout the period)

Per-share operating performance	2004	2003	Year ended M 2002
Net asset value, beginning of period	\$8.45	\$8.50	\$9.49
Investment operations:			
Net investment income (a)	.67 (d)	.73	.86
Net realized and unrealized gain (loss) on investments	.37	(.01)	(.86)
Total from investment operations	1.04	.72	--
Less distributions:			
From net investment income	(.66)	(.76)	(.87)
From return of capital	(.01)	(.01)	(.12)
Total distributions	(.67)	(.77)	(.99)
Net asset value, end of period	\$8.82	\$8.45	\$8.50
Market price, end of period	\$7.92	\$9.02	\$9.48
Total return at market price (%) (b)	(4.99)	4.15	(2.91)
Ratios and supplemental data			
Net assets, end of period (in thousands)	\$66,179	\$63,418	\$63,826
Ratio of expenses to average net assets (%) (c)	1.19 (d)	1.22	1.19
Ratio of net investment income			



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to average net assets (%)	7.57 (d)	9.17	9.69
Portfolio turnover (%)	66.18	73.72	73.39

- (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.
- (c) Includes amounts paid through expense offset arrangements (Note 2).
- (d) Reflects an expense limitation in effect during the period. As a result of such limitation, expenses of the fund for the period ended May 31, 2004 reflect a reduction of less than 0.01% based on average net assets (Note 4).
- (e) Amount represents less than \$0.01 per share.

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

Notes to financial statements  
May 31, 2004

### Note 1 Significant accounting policies

Putnam Managed High Yield Trust (the "fund") is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end management investment company. The fund's primary investment objective is to seek high current income. The fund intends to achieve its objective by investing in high yielding income securities. 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 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

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the U.S. securities markets. The number of days on which fair value prices will be used will depend on market activity and it is possible that fair value prices will be used by the fund to a significant extent. Securities quoted in foreign currencies are translated into U.S. dollars at the current exchange rate. Short-term investments having remaining maturities of 60 days or less are valued at amortized cost, which approximates fair value. Other investments, including 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) 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.

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

E) Forward currency contracts The fund may buy and sell forward currency

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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. Forward currency contracts outstanding at period end, if any, are listed after the fund's portfolio.

F) Security lending The fund may lend securities, through its agents, to qualified borrowers in order to earn additional income. The loans are collateralized by cash and/or securities in an amount at least equal to the market value of the securities loaned. The market value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. The risk of borrower default will be borne by the fund's agents; the fund will bear the risk of loss with respect to the investment of the cash collateral. Income from securities lending is included in investment income on the statement of operations. At May 31, 2004, the value of securities loaned amounted to \$172,909. The fund received cash collateral of \$162,496, which is pooled with collateral of other Putnam funds into 17 issuers of high-grade short-term investments.

G) 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 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 Internal Revenue Code of 1986 (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 May 31, 2004, the fund had a capital loss carryover of \$32,039,053 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
\$2,584,483	May 31, 2007
4,168,119	May 31, 2008
3,778,275	May 31, 2009
8,384,999	May 31, 2010
11,264,568	May 31, 2011
1,858,609	May 31, 2012

Pursuant to federal income tax regulations applicable to regulated investment companies, the fund has elected to defer to its fiscal year ending May 31, 2005 \$1,145,185 of losses recognized during the period November 1, 2003 to May 31, 2004.

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H) 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, post-October loss deferrals, nontaxable dividends, dividends payable, defaulted bond interest, market discount and interest on payment-in-kind securities. 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 May 31, 2004, the fund reclassified \$579,731 to decrease distributions in excess of net investment income and \$317,996 to decrease paid-in-capital, with an increase to accumulated net realized loss of \$261,735.

The tax basis components of distributable earnings and the federal tax cost as of period end were as follows:

Unrealized appreciation	\$2,574,856
Unrealized depreciation	(7,669,010)
	-----
Net unrealized depreciation	(5,094,154)
Capital loss carryforward	(32,039,053)
Post October loss	(1,145,185)
Cost for federal income tax purposes	\$70,787,251

### 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 the average weekly net assets.

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 May 31, 2004, the fund paid PFTC \$158,841 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 May 31, 2004, the fund's expenses were reduced by \$1,008 under these arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$550, 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

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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.

### Note 3

#### Purchases and sales of securities

During the year ended May 31, 2004, cost of purchases and proceeds from sales of investment securities other than short-term investments aggregated \$41,992,320 and \$43,033,153, respectively. There were no purchases or sales of U.S. government securities.

### 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. Income distributions earned by the fund are recorded as income in the statement of operations and totaled \$811 for the period ended May 31, 2004.

### Note 5

#### Regulatory matters and litigation

On April 8, 2004, Putnam Management entered into agreements with the Securities and Exchange Commission 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 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

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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.

Review of these matters by counsel for Putnam Management and by separate independent counsel for the Putnam funds and their independent Trustees is continuing.

### Federal tax information (Unaudited)

For the year ended May 31, 2004, a portion of the fund's distribution represents a return of capital and is therefore not taxable to shareholders.

The fund has designated 3.64% of the distributions from net investment income as qualifying for the dividends received deduction for corporations.

For its tax year ended May 31, 2004, the fund hereby designates 2.07% 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.

### About the Trustees

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

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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).

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 Securities and Exchange Commission.

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

Mr. Hill is Vice Chairman and Managing Director 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). 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 the University of Michigan 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

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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) as well as a Director of TransCanada Corporation (a gas transmission and power company). 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 in Cambus-Kenneth Farm, LLC (cattle and thoroughbred horses). She is President Emeritus of Mount Holyoke College.

Dr. Kennan serves as Lead Director (formerly Chairman) 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 Centre College and of Midway College in Midway, Kentucky. She is also a member of The Trustees of Reservations and a Trustee of the National Trust for Historic Preservation. 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 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 also served as a Director of Dillon, Read & Co., Inc. until October 1997 and The Ryland Group, Inc. until January 1998. Mr. Mullin



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is a graduate of Washington & Lee University and The Wharton Graduate School, University of Pennsylvania.

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

Mr. Patterson is Senior Partner of Cabot Properties, Inc., a private equity firm specializing in real estate investments, and Chairman of Cabot Properties, Inc.

Mr. Patterson serves as Chairman of the Joslin Diabetes Center and as a Director of Brandywine Trust Company, LLC. 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, Mr. Patterson was Executive Vice President and Director of Acquisitions of Cabot Partners Limited Partnership (a registered investment advisor 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 serves as a Director of Xcel Energy Incorporated (a public utility company), TransCanada Pipelines Limited, Norske Canada, Inc. (a paper manufacturer), and Qwest Communications. 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.

W. Nicholas Thorndike (3/28/33), Trustee since 1992

Mr. Thorndike serves on the boards of various corporations and charitable organizations.

Mr. Thorndike is a Director of Courier Corporation (a book publisher and manufacturer). He is also a Trustee of Northeastern University and an honorary Trustee of Massachusetts General Hospital, where he previously served as Chairman and President. Prior to December 2003, he was a Director of The Providence Journal Co. (a newspaper publisher). Prior to September 2000, he was a Director of Bradley Real Estate, Inc.; prior to April 2000, he was a Trustee of Eastern Utilities Associates; and prior to December 2001, he was a Trustee of Cabot Industrial Trust.

Mr. Thorndike has also served as Chairman of the Board and Managing Partner of Wellington Management Company/Thorndike, Doran, Paine & Lewis (a registered investment advisor that manages mutual funds and institutional assets), as a Trustee of the Wellington Group of Funds (currently The Vanguard Group), and as Chairman and a Director of Invest Fund, Inc. Mr. Thorndike is a graduate of Harvard College.

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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 advisor). 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 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 Chairman of Putnam Investments and a Director of 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 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 May 31, 2004, there were 102 Putnam Funds.

Each Trustee serves for an indefinite term, until his or her 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. Putnam, III, and Smith are deemed "interested persons" by virtue of their positions as officers or shareholders of the fund or Putnam Management, Putnam Retail Management, or Marsh & McLennan Companies, Inc. George Putnam, III is the President of your fund and each of the other Putnam funds. Mr. Smith serves as a Director of 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

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and Putnam Management

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

Managing Director, Putnam Investments

Patricia C. Flaherty (12/1/46)  
Senior Vice President  
Since 1993

Senior Vice President, Putnam Investments and Putnam  
Management

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 2004, Associate  
at Ropes & Gray LLP; prior to 2000, Law Clerk for the  
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 of  
State Street Research & Management Company

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

Managing Director, Putnam Investments and Putnam Management.  
From 2001 to 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)

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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

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 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

#### 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

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### Trustees

John A. Hill, Chairman  
Jameson Adkins Baxter  
Charles B. Curtis  
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  
W. Nicholas Thorndike

### Officers

George Putnam, III  
President

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

Jonathan S. Horwitz  
Senior Vice President and Treasurer

Patricia C. Flaherty  
Senior Vice President

Steven D. Krichmar  
Vice President and Principal Financial Officer

Michael T. Healy  
Assistant Treasurer and  
Principal Accounting Officer

Beth S. Mazor  
Vice President

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

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

Judith Cohen  
Clerk and Assistant Treasurer

Call 1-800-225-1581 weekdays from 9 a.m. to 5 p.m. Eastern Time, or

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visit our Web site ([www.putnaminvestments.com](http://www.putnaminvestments.com)) any time for up-to-date information about the fund's NAV.

[LOGO OMITTED]

PUTNAM INVESTMENTS

The Putnam Funds  
One Post Office Square  
Boston, Massachusetts 02109

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### Item 2. Code of Ethics:

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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 and Mr. Stephens 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.

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### 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
-----	-----	-----	-----	-----
May 31, 2004	\$35,200	\$--	\$3,300	\$12
May 31, 2003	\$33,200	\$--	\$3,100	\$--

For the fiscal years ended May 31, 2004 and May 31, 2003, the fund's independent auditors billed aggregate non-audit fees in the amounts of \$3,312 and \$ 3,100 , 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.

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 represent fees billed for services relating to 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

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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
May 31, 2004	\$--	\$--	\$--	\$--
May 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 Exchange Act of 1934, as amended. The Audit Committee of the fund's Board of Trustees is composed of the following persons:

Paul L. Joskow (Chairperson)  
Robert E. Patterson  
W. Thomas Stephens  
Elizabeth T. Kennan

(b) Not applicable

### Item 6. [Reserved]

### 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 a particular issue. 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.

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, although 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



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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 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 proposals generally presented to shareholders. Part I deals with proposals which have been 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 foreign issuers.

### 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 the Funds' intent to hold corporate boards accountable for their actions in promoting shareholder interests, the Funds' proxies generally will be voted in support of decisions reached by independent boards of directors. Accordingly, the Funds' proxies will be voted for board-approved proposals, except as follows:

#### A. Matters Relating to the Board of Directors

-----

The board of directors has the important role of overseeing management and its performance on behalf of shareholders. The Funds' proxies will be voted for the election of the company's nominees for directors and for board-approved proposals on other matters relating to the board of directors (provided that such nominees and other matters have been approved by an independent nominating committee), 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; or
- \* The board does not have nominating, audit and compensation committees composed solely of independent directors.

Commentary: While these requirements will likely become mandatory for most public companies in the near future as a result of pending NYSE and NASDAQ rule proposals, the Funds' Trustees believe that there is no excuse for public company boards that fail to implement these vital governance reforms at their next annual meeting. For these purposes, an "independent director" is a director who meets all requirements to serve as an independent director of a company under the pending NYSE rule proposals (i.e., no material business relationships with the company, no present or recent employment relationship with the company (including employment of immediate family members) and, in the case of audit committee members, no compensation for non-board services). As indicated below, the Funds will generally vote on a case-by-case basis on board-approved proposals where the board fails to meet these basic independence standards.

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\* 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: The Funds' Trustees believe that receipt of compensation for services other than service as a director raises significant independence issues. The Funds will withhold votes for any nominee for director who is considered an independent director by the company and who receives such compensation.

\* The Funds will withhold votes for the entire board of directors if the board has more than 19 members or fewer than five members, absent special circumstances.

Commentary: 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.

\* The Funds will vote on a case-by-case basis in contested elections of directors.

\* The Funds will withhold votes for any nominee for director who attends less than 75% of board and committee meetings without valid reasons for the absences (i.e., illness, personal emergency, etc.).

Commentary: 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.

\* The Funds will withhold votes for any nominee for director of a public company (Company A) who 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").

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

Board independence depends not only on its members' individual relationships, but also 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 that, through their lack of independence, have failed to

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observe good corporate governance practices or, through specific corporate action, have demonstrated a disregard for the interest of shareholders.

\* 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.

### B. 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 plans which will result in an average annual dilution of 1.67% or less (including all equity-based plans).

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

\* 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 employee stock purchase plans that have 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 proposals relating to executive compensation, the Funds will consider whether the proposal has been approved by an independent compensation committee of the board.

### C. Capitalization

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Many proxy proposals involve changes in a company's capitalization, including the authorization of additional stock, the repurchase of outstanding stock or the approval of a stock split. The management of a

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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 each 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 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 impact a shareholder's investment and warrant a case-by-case determination.

### D. Acquisitions, Mergers, Reincorporations, Reorganizations and Other Transactions

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Shareholders may be confronted with a number of different types of transactions, including acquisitions, mergers, reorganizations involving business combinations, liquidations and 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, generally speaking, shareholders must carefully consider the reasons for a reincorporation into another jurisdiction, including especially offshore jurisdictions.

### E. Anti-Takeover Measures

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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 adoption of a shareholder rights plan, requiring supermajority voting on particular issues, adoption of fair price provisions, issuance of blank check preferred stock and creating a separate class of stock with disparate voting rights. Such proposals may adversely affect shareholder

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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 (commonly referred to as "poison pills"); 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.

### F. Other Business Matters

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Many proxies involve approval of routine business matters, such as changing the 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 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 which 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

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SEC regulations permit shareholders to submit proposals for inclusion in a company's proxy statement. These proposals generally seek to change some aspect of a company's corporate governance structure or to change some aspect of its business operations. The Funds 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

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approval of shareholder rights plans.

\* The Funds will vote for shareholder proposals that are consistent with the Fund's 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 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 Foreign Issuers

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Many of the Funds invest on a global basis and, as a result, they may be required to vote shares held in foreign issuers - i.e., issuers that are incorporated under the laws of a foreign jurisdiction and that are not listed a U.S. securities exchange or the NASDAQ stock market. Because foreign 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 foreign 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 foreign issuers. The Funds will vote proxies of foreign issuers in accordance with the foregoing guidelines where applicable, except as follows:

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

Commentary: In many non-U.S. markets, shareholders who vote proxies for

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shares of a foreign issuer are not able to trade in that company's stock within a given period of time 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.

As adopted March 14, 2003

### Proxy Voting Procedures of the Putnam Funds

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#### The Role of the Funds' Trustees

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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

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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 service and by other firms.

#### The Role of the Proxy Coordinator

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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,

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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

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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.

### Conflicts of Interest

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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



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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. [Reserved]  
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Item 9. Submission of Matters to a Vote of Security Holders:  
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Not applicable

Item 10. Controls and Procedures:  
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(a) The registrant's principal executive officer and principal financial officer have concluded, based on their evaluation of the effectiveness of the design and operation of the registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report 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.

Although such officers reached the conclusion expressed in the preceding paragraph, they are aware of matters that raise concerns with respect to controls, each of which arose in connection with the administration of 401(k) plans by Putnam Fiduciary Trust Company. The first matter, which occurred in early 2001, involved the willful circumvention of controls by certain Putnam employees in connection with the correction of operational errors with respect to a 401(k) client's investment in certain Putnam Funds, which led to losses in five Putnam Funds (not including the registrant). Such officers became aware of this matter in February 2004. The second matter, which occurred in 2002, involved the willful circumvention by certain Putnam employees of policies and procedures in connection with the payment of Putnam corporate expenses. Such officers did not learn that this matter involved a Putnam Fund until January 2004. Putnam has made restitution to the affected Funds, implemented a number of personnel changes, including senior personnel, begun to implement changes in procedures to address these items and informed the SEC, the Funds' Trustees and independent auditors. An internal investigation and review of procedures and

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controls are currently ongoing.

In reaching the conclusion expressed herein, the registrant's principal executive officer and principal financial officer considered a number of factors, including the nature of the matters described above, when the matters occurred, the individuals involved, personnel changes that have occurred since these matters occurred, the results to date of the current ongoing investigation and the overall quality of controls at Putnam at this time.

(b) Changes in internal control over financial reporting:  
Not applicable

Item 11. Exhibits:  
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(a) The Code of Ethics of The Putnam Funds, which incorporates the Code of Ethics of Putnam Investments, is filed herewith.

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

SIGNATURES

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

NAME OF REGISTRANT

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

Date: July 27, 2004

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

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

Date: July 27, 2004

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

Date: July 27, 2004