

PUTNAM PREMIER INCOME TRUST
Form N-CSR
September 29, 2003

Putnam
Premier
Income
Trust

Item 1. Report to Stockholders:

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

ANNUAL REPORT ON PERFORMANCE AND OUTLOOK

7-31-03

[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:

The value of Putnam Premier Income Trust's strategy of diversification that we have noted in previous reports was demonstrated once again for the full fiscal year that ended on July 31, 2003. The fund's performance was driven by two significant trends during the period. Early in the year, falling interest rates and a preference for higher-quality bonds boosted prices among the fund's investment-grade holdings. The second trend, which began in mid-October 2002, was an improving credit cycle. This helped the fund's higher-yielding, lower-quality holdings outperform. Management's decision to increase the fund's exposure to this segment of the market early in the cycle contributed to strong results.

The fund's exposure to lower-rated, higher-yielding bonds was less than that of its peer group, dampening the fund's results versus its Lipper category average. You will find the details on the facing page. As far as we are concerned, however, the relative stability provided by this mix of quality and opportunity is a worthwhile tradeoff over the long term.

Meanwhile, it is heartening now to see signs that one of the most challenging periods in recent investment history may at last be ending. What we told you at the beginning of this fiscal year bears repeating here. We deeply appreciate your continued confidence in Putnam and we firmly believe that over the long haul your patience will be rewarded.

Respectfully yours,

/S/ JOHN A. HILL

/S/ GEORGE PUTNAM, III

John A. Hill

George Putnam, III

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Chairman of the Trustees

President of the Funds

September 17, 2003

Report from Fund Management

Fund highlights

- * Putnam Premier Income Trust had a total return of 17.61% at net asset value for the fiscal year ended July 31, 2003. The fund's return at market price was 13.41%.
- * Declining yields across all fixed-income sectors prompted management to recommend a reduction in the fund's dividend, which occurred in April 2003.
- * Differences in portfolio composition caused the fund to underperform the average return for the Lipper Flexible Income Funds (Closed-End) category, which was 18.88%.
- * The fund's strategy of investing in high-yield corporate and emerging-market debt helped it to significantly outperform its benchmark, the Lehman Government Bond Index, which returned 4.45% during the fund's fiscal year. Additional comparisons, many of which more closely track the fund's performance over this period, appear on page 2.
- * See the Performance Summary on page 8 for complete fund performance, comparative performance, and Lipper data.

Performance commentary

The fund's robust total return and solid comparative results versus its benchmark were due primarily to its emphasis on higher-yielding, lower-rated bonds -- such as U.S. high-yield corporate bonds as well as sovereign debt issued by emerging-market countries -- while limiting exposure to investment-grade bonds during the period. Higher-yielding, lower-rated fixed-income sectors turned in exceptionally strong results from mid-October 2002 through period end, significantly outperforming higher-rated debt as investors' appetite for higher-risk asset classes returned. We attribute the fund's modest underperformance versus its Lipper universe to lower weightings in these riskier asset categories than the average fund in the peer group. The fund's exposure to foreign government bonds also contributed positively to results. The fund's lower performance at market price is attributable to reduced investor demand following the April dividend reduction.

FUND PROFILE

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

Market overview

The fund's fiscal year results should be considered in the context of an

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extraordinarily favorable environment for bond performance across all sectors. The war in Iraq, SARS-related fears, and a negative economic climate drove bond yields to historic lows worldwide, significantly driving up bond prices, which move in the opposite direction to yields. Governments and central banks redoubled their efforts to revitalize the sluggish global economy with additional fiscal and monetary easing, which improved investor morale.

Supported by investor demand for yield and improving issuer fundamentals, corporate bonds led the investment-grade market during the period, after a dismal performance in the second half of 2002. The securitized sector, which includes various types of mortgage-backed securities (e.g. Ginnie Maes), as well as asset-backed securities (ABSs), also advanced, although performance was undercut by mortgage-backed securities (MBSs), which were hurt by mortgage prepayments. ABSs performed well in the second half of the period. Beginning in October 2002 and continuing through period end, falling default rates and increasing optimism about growth prospects for the second half of 2003 convinced high-yield investors that the credit cycle was turning in their favor. Following the lead of high-yield bonds, emerging-market debt rallied as investors' risk tolerance and appetite for yield increased.

In the final month of the period, bond market conditions changed abruptly. Improved prospects for an upturn in the economic cycle and a quickly increasing U.S. federal budget deficit made bonds less attractive to both domestic and non-U.S. investors. The bond market sell-off that resulted drove yields up and prices down rapidly across all bond sectors.

MARKET SECTOR PERFORMANCE 12 MONTHS ENDED 7/31/03

Bonds

Lehman Government Bond Index	4.45%
Citigroup Non-U.S. World Government Bond Index	14.19%
JP Morgan Global High Yield Index	22.23%
JP Morgan Emerging Markets Bond Index	32.89%

Equities

S&P 500 Index (broad stock market)	10.64%
MSCI EAFE Index (international stocks)	6.30%
Russell 2000 Index (small-company stocks)	23.11%

These indexes provide an overview of performance in different market sectors for the 12 months ended 7/31/03.

Strategy overview

Putnam Premier Income Trust's multisector strategy served it well during the fiscal year. It provided us with the flexibility to pursue the most attractive fixed-income opportunities in a period when substantial changes in investor sentiment drove significantly different returns

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across fixed-income sectors.

Early in the period, the fund's allocation to investment-grade corporate bonds contributed to returns as investors preferred the relative security of these higher-quality bonds amid declining equity markets and geopolitical uncertainty. In mid October, however, constructive fiscal and monetary policies combined with easing geopolitical tension and compelling valuations to shift investor focus to lower-rated higher-yielding sectors. With yields in these sectors near historic highs and fundamentals finally poised to improve, we believed that this nascent rally had momentum behind it. Consequently, we began to rotate assets out of investment-grade securities and into high-yield corporate and emerging-market debt. This reallocation proved timely as the rally in these sectors extended through June.

The fund's investment in high-yield corporate and emerging-market debt was funded by the sale of mortgage-backed securities, which we believed would continue to come under pressure due to mortgage prepayments in a persistently low interest-rate environment. We also sold U.S. government and agency securities, reasoning that they were unlikely to benefit further from interest-rate declines. For most of the period, we favored foreign investment-grade securities over their U.S. counterparts.

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

FUND SECTOR WEIGHTINGS COMPARED

	as of 1/31/03	as of 7/31/03
U.S. investment grade	34.5%	27.1%
Corporate high yield	44.2%	50.1%
Foreign investment grade	13.9%	13.3%
Emerging markets	7.5%	9.6%

Footnote reads:

This chart shows how the fund's sector weightings have changed over the past six months. Weightings are shown as a percentage of market value. Holdings will vary over time.

How allocations affected performance

In the U.S. investment-grade sector, the fund benefited from its allocation to corporate bonds, which outperformed all other segments within this sector. Investors were drawn to investment-grade corporate bonds not only as a source of yield as interest rates fell, but also in response to companies' focus on debt and cost reduction, which increased the bonds' attractiveness. The fund's selective exposure to investment-grade securitized debt also contributed positively as this market segment outperformed U.S. Treasuries. (The fund's holdings in the securitized sector consist primarily of mortgage-backed securities (MBSs), commercial mortgage-backed securities (CMBSs), asset-backed securities (ABSs), and collateralized mortgage obligations (CMOs).) Our strategy of emphasizing high-coupon MBSs and CMBSs helped performance, while holdings of ABSs hurt performance, as this segment was negatively affected by the struggles of two major manufactured housing financiers (Conseco and Greentree) in late 2002.

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In the corporate high-yield sector, we consolidated the fund's positions, while still maintaining a high level of diversification. We also sought to reduce exposure to callable bonds. Call risk, which is the risk that a bond issuer may redeem outstanding bonds before their scheduled maturity, became a significant factor as bond issuers chose to take advantage of declining yields to refinance their debt at lower rates. Within industry sectors, large holdings in wireless communications, diversified media, and broadcasting were top performers in the market rally. Cable holdings also contributed positively to performance.

[GRAPHIC OMITTED: horizontal bar chart TOP INDUSTRY WEIGHTINGS AS OF 7/31/03]

TOP INDUSTRY WEIGHTINGS AS OF 7/31/03

Consumer staples	8.7%
Basic materials	5.4%
Capital goods	5.2%
Communications services	5.0%
Energy	4.4%

Footnote reads:

Weightings are shown as a percentage of market value and are an aggregate of both investment-grade and high-yield corporate bond exposures. Holdings will vary over time.

For the fund's foreign investment-grade holdings, we emphasized higher-yielding European sovereign debt (e.g., Sweden) where yields had considerably more room to fall than in the United States. Bonds issued by Canada and New Zealand were also favored because we believed that these countries had prematurely boosted rates at the onset of the economic recovery. These strategies benefited the fund as rates declined more significantly in all of these countries amid the global bond market rally. In addition, the fund benefited from our currency strategy, which correctly anticipated U.S. dollar and Japanese yen weakness as well as the relative strength of the euro, U.K. pound sterling, and Canadian and Australian dollars.

While the fund did benefit from its emerging-market debt holdings, our strategy may have been too conservative within the sector, given the breadth and strength of the rally. Some of the situations that most concerned us -- the economic policies of the newly elected Brazilian president, for example -- played out better than we had anticipated. Nevertheless, the fund's exposure to Russia proved advantageous. Russian government bonds were strong performers as windfall oil exporting revenues accumulated in government coffers. 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.

[GRAPHIC OMITTED: horizontal bar chart TOP COUNTRY WEIGHTINGS AS OF 7/31/03]

TOP COUNTRY WEIGHTINGS AS OF 7/31/03

United States	74.4%
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Canada	3.2%
United Kingdom	2.9%
France	1.7%
Russia	1.5%

Footnote reads:

Weightings are shown as a percentage of market value. Holdings will vary over time.

OF SPECIAL INTEREST

In April 2003 the fund's monthly distribution was reduced from \$0.045 to \$0.039 per share. This reduction was prompted by declining yields across all fixed-income sectors over the course of the prolonged bond-market rally. In addition, many issuers called bonds and many mortgages were prepaid, requiring the fund to reinvest at lower rates.

The fund's management team

The fund is managed by the Putnam Core Fixed-Income Team. The members of the team are D. William Kohli (Portfolio Leader), David Waldman (Portfolio Member), Carl Bell, Rob Bloemker, Andrea Burke, Kevin Cronin, Steve Horner, James Prusko, Michael Salm, and John Van Tassel.

The outlook for your fund

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

The abrupt and significant increase in interest rates over the last six weeks of the reporting period has shifted our valuation perspective on bonds. As of the end of the period, we believed markets had become prematurely confident that a lasting global economic recovery was already underway. Yields on 10-year Treasuries had climbed too high and we believe they should stabilize in coming months. We have consequently moved from an underweight in Treasuries toward a more neutral weighting in our multisector portfolio. Elsewhere in the U.S. investment-grade sector, we are currently neutral with regard to investment-grade corporate bonds. While fundamentals continue to improve, investors have already recognized this improvement, so valuations of investment-grade corporate bonds are no longer attractive. Mortgage-backed securities (MBSs) typically fare poorly in rising interest-rate environments, and the past six weeks have been no exception. We believe this sector now looks attractive on a relative valuation basis and we are poised to take advantage of opportunities in it.

As fiscal 2004 begins, high-yield corporates remain attractive in our view. Although their yield spread versus Treasuries, a traditional measure of valuation, has moved closer to historical averages, we believe that the positive cycle for this asset class has more room to run based on continuing improvement in fundamentals, declining default rates, and sustained demand among investors for higher yields.

While we still prefer higher-yielding European government debt to U.S. Treasury bonds, the recent outperformance in Europe prompted us to trim

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these holdings and increase our U.S. Treasury exposure somewhat. New Zealand and Sweden, where we anticipate improving spreads, are two of our favorite markets. Our view on emerging markets is less positive. The increase in U.S. Treasury yields, diminishing inflows, and an upsurge in lower-quality issuance all suggest that the market is too rich at current levels. From a country selection standpoint, we continue to favor Russia and Peru.

The management team believes that the fund's diverse portfolio, flexible strategy, and focus on risk management will continue to serve it well.

The views expressed in this report are exclusively those of Putnam Management. They are not meant as investment advice. International investing involves certain risks, such as currency fluctuations, economic instability, and political developments. Additional risks may be associated with emerging-market securities, including illiquidity and volatility. Lower-rated bonds may offer higher yields in return for more risk. Mutual funds that invest in government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk.

Performance summary

This section provides information about your fund's performance during its fiscal year, which ended July 31, 2003. 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. Past performance does not indicate 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. A profile of your fund's strategy appears on the first page of this report. See page 9 for definitions of some terms used in this section.

TOTAL RETURN FOR PERIODS ENDED 7/31/03

	NAV	Market price
1 year	17.61%	13.41%
5 years	22.73	17.57
Annual average	4.18	3.29
10 years	85.81	86.76
Annual average	6.39	6.45
Life of fund (since 2/29/88)		
Annual average	8.11	7.14

Performance does not reflect taxes on reinvested distributions.

COMPARATIVE INDEX RETURNS FOR PERIODS ENDED 7/31/03

Citigroup Non-				
Lehman Government	U.S. World Government	JP Morgan Global	CSFB High	Lipper Flexible Income Funds

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	Bond Index	Bond Index	High Yield Index*	Yield Index	(Closed-End) category average+
1 year	4.45%	14.19%	22.23%	23.33%	18.88%
5 years	38.44	31.99	16.88	18.99	17.74
Annual average	6.72	5.71	3.17	3.54	3.13
10 years	90.27	79.70	--	94.80	74.63
Annual average	6.64	6.04	--	6.90	5.68
Life of fund (since 2/29/88)					
Annual average	7.93	6.92	--	8.82	7.86

* This comparative index replaced the CSFB High Yield Index on 12/30/02 because, in Putnam Management's opinion, the securities tracked by this index more accurately reflect the types of securities generally held by the fund. The JP Morgan Global High Yield Index's inception date was 12/31/93.

+ Over the 1-, 5-, and 10-year periods ended 7/31/03, there were 12, 12, and 9 funds, respectively, in this Lipper category.

PRICE AND DISTRIBUTION INFORMATION 12 MONTHS ENDED 7/31/03

Putnam Premier Income Trust		
Distributions (number)	12	
Income	\$0.516	
Capital gains	--	
Total	\$0.516	
Share value:	NAV	Market price
7/31/02	\$6.22	\$6.03
7/31/03	6.75	6.31
Current return (end of period)		
Current dividend rate 1	6.93%	7.42%

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

TOTAL RETURN FOR PERIODS ENDED 6/30/03 (MOST RECENT CALENDAR QUARTER)

	NAV	Market price
1 year	17.87%	14.72%

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5 years	25.34	23.66
Annual average	4.62	4.34
10 years	90.44	96.46
Annual average	6.65	6.99
Life of fund (since 2/29/88)		
Annual average	8.28	7.48

Terms and definitions

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

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

Comparative indexes

Citigroup (formerly Salomon Smith Barney) Non-U.S. World Government Bond Index is an unmanaged index of government bonds from representative developed countries excluding the United States.

Credit Suisse First Boston (CSFB) High Yield Index is an unmanaged index of high-yield debt securities.

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

JP Morgan Emerging Markets Bond Index is an unmanaged index used to mirror the investable universe of the external debt instruments in the emerging markets including external currency denominated Brady bonds, loans and Eurobonds, as well as U.S. dollar local market instruments.

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

Morgan Stanley Capital International (MSCI) EAFE Index is an unmanaged index of 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 Inc. is a third-party industry ranking entity that ranks funds (without sales charges) with similar current investment styles or

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objectives as determined by Lipper. Lipper category averages reflect performance trends for funds within a category and are based on results at net asset value.

Putnam's policy on confidentiality

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

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

Under certain circumstances, we share this information with outside vendors who provide services to us, such as mailing and proxy solicitation. In those cases, the service providers enter into confidentiality agreements with us, and we provide only the information necessary to process transactions and perform other services related to your account. We may also share this information with our Putnam affiliates to service your account or provide you with information about other Putnam products or services. It is also our policy to share account information with your financial advisor, if you've listed one on your Putnam account.

If you would like clarification about our confidentiality policies or 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, by calling Putnam's Shareholder Services at 1-800-225-1581, or on the SEC's Web site, www.sec.gov.

A guide to the financial statements

These sections of the report, as well as the accompanying Notes, preceded by the Independent Auditors' Report, constitute the fund's financial statements.

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

Statement of assets and liabilities shows how the fund's net assets and share price are determined. All investment and noninvestment assets are added together. Any unpaid expenses and other liabilities are subtracted from this total. The result is divided by the number of shares to determine the net asset value per share, which is calculated separately for each class of shares. (For funds with preferred shares, the amount subtracted from total assets includes the net assets

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allocated to remarketed preferred shares.)

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

Statement of changes in net assets shows how the fund's net assets were affected by distributions to shareholders and by changes in the number of the fund's shares. It lists distributions and their sources (net investment income or realized capital gains) over the current reporting period and the most recent fiscal year-end. The distributions listed here may not match the sources listed in the Statement of operations because the distributions are determined on a tax basis and may be paid in a different period from the one in which they were earned.

Financial highlights provide an overview of the fund's investment results, per-share distributions, expense ratios, net investment income ratios, and portfolio turnover in one summary table, reflecting the five most recent reporting periods. In a semiannual report, the highlight table also includes the current reporting period. For open-end funds, a separate table is provided for each share class.

Independent auditors' report

The Board of Trustees and Shareholders
Putnam Premier Income Trust:

We have audited the accompanying statement of assets and liabilities of Putnam Premier Income Trust, including the fund's portfolio, as of July 31, 2003, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 July 31, 2003 by correspondence with the custodian and brokers. 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 Premier Income Trust as of July 31, 2003, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then

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ended, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Boston, Massachusetts
September 3, 2003

The fund's portfolio
July 31, 2003

Corporate bonds and notes (54.2%) (a)
Principal amount

Advertising and Marketing Services (0.1%)

\$328,333 Adams Outdoor Advertising bank term loan FRN
4.5848s, 2008 (acquired 4/2/03, cost \$327,513) (RES)
300,000 Lamar Media Corp. bank term loan FRN Ser. B,
3.5625s, 2010 (acquired 2/27/03, cost \$300,000) (RES)
780,000 Lamar Media Corp. company guaranty 7 1/4s, 2013

Automotive (1.2%)

470,000 ArvinMeritor, Inc. notes 8 3/4s, 2012
960,000 Collins & Aikman Products, Inc. company guaranty 11 1/2s, 2006
1,425,000 Collins & Aikman Products, Inc. company guaranty 10 3/4s, 2011
220,000 Dana Corp. notes 10 1/8s, 2010
880,000 Dana Corp. notes 9s, 2011
EUR 60,000 Dana Corp. notes 9s, 2011
\$135,000 Dana Corp. notes 7s, 2029
405,000 Dana Corp. notes 6 1/2s, 2009
490,000 Dana Corp. notes 6 1/4s, 2004
295,000 Delco Remy International, Inc. company guaranty 11s, 2009
520,000 Delco Remy International, Inc. company guaranty 10 5/8s, 2006
1,505,000 Dura Operating Corp. company guaranty Ser. D, 9s, 2009
247,500 Hayes Lemmerz International, Inc. bank term loan
FRN 5.9789s, 2009 (acquired 6/3/03, cost \$245,025) (RES)
1,090,000 Lear Corp. company guaranty Ser. B, 8.11s, 2009
1,160,000 Lear Corp. company guaranty Ser. B, 7.96s, 2005
EUR 285,000 Lear Corp. sr. notes 8 1/8s, 2008
\$63,786 SPX Corp. bank term loan FRN Ser. B, 3 3/8s, 2009
(acquired 7/23/02, cost \$63,786) (RES)
106,255 SPX Corp. bank term loan FRN Ser. C, 3 5/8s, 2010
(acquired 7/23/02, cost \$106,255) (RES)
368,000 Tenneco Automotive, Inc. company guaranty Ser. B, 11 5/8s, 2009
1,040,000 Tenneco Automotive, Inc. 144A sec. notes 10 1/4s, 2013
225,000 TRW Automotive bank term loan FRN Ser. C-1,
4.116s, 2011 (acquired 7/21/03, cost \$225,000) (RES)

Basic Materials (5.6%)

15,000 Abitibi-Consolidated Finance LP company
guaranty 7 7/8s, 2009

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	1,340,000	Acetex Corp. sr. notes 10 7/8s, 2009 (Canada)
	200,000	Acetex Corp. 144A sr. notes 10 7/8s, 2009 (Canada)
	1,155,000	AK Steel Corp. company guaranty 7 7/8s, 2009
	840,000	AK Steel Corp. company guaranty 7 3/4s, 2012
	231,805	Appleton Papers, Inc. bank term loan FRN Ser. C, 4.3432s, 2006 (acquired 6/4/02, cost \$232,674) (RES)
	1,355,000	Appleton Papers, Inc. company guaranty Ser. B, 12 1/2s, 2008
	810,000	Better Minerals & Aggregates Co. company guaranty 13s, 2009
	740,000	Compass Minerals Group, Inc. company guaranty 10s, 2011
	1,433,853	Doe Run Resources Corp. company guaranty Ser. A1, 11 3/4s, 2008 (acquired various dates from 7/27/01 to 5/27/03, cost \$905,472) (RES) (PIK)
	1,065,000	Dow Chemical Co. (The) notes 5 3/4s, 2009
	255,000	Equistar Chemicals LP notes 8 3/4s, 2009
	270,000	Equistar Chemicals LP notes 6 1/2s, 2006
	2,345,000	Equistar Chemicals LP/Equistar Funding Corp. company guaranty 10 1/8s, 2008
	550,000	Equistar Chemicals LP/Equistar Funding Corp. 144A sr. notes 10 5/8s, 2011
EUR	300,000	Fort James Corp. company guaranty 4 3/4s, 2004
	\$415,000	Georgia-Pacific Corp. debs. 9 1/2s, 2011
	1,230,000	Georgia-Pacific Corp. debs. 7.7s, 2015
	80,000	Georgia-Pacific Corp. notes 8 1/8s, 2011
	160,000	Georgia-Pacific Corp. notes 7 1/2s, 2006
	445,000	Georgia-Pacific Corp. 144A sr. notes 8 7/8s, 2010
	259,000	Georgia-Pacific Corp. 144A sr. notes 7 3/8s, 2008
	760,000	Gerdau Ameristeel Corp/Gusap Partners 144A sr. notes 10 3/8s, 2011 (Canada)
	298,500	Hercules, Inc. bank term loan FRN Ser. B, 4.4766s, 2007 (acquired 12/17/02, cost \$297,754) (RES)
	3,040,000	Hercules, Inc. company guaranty 11 1/8s, 2007
	505,000	Huntsman Advanced Materials, LLC 144A sec. notes 11s, 2010
	896,056	Huntsman Corp. bank term loan FRN Ser. A, 6.0441s, 2007 (acquired various dates from 3/1/02 to 5/1/03, cost \$741,276) (RES)
	436,980	Huntsman Corp. bank term loan FRN Ser. B, 8.4375s, 2007 (acquired various dates from 3/1/02 to 7/31/03, cost \$354,270) (RES)
	1,430,000	Huntsman ICI Chemicals, Inc. company guaranty 10 1/8s, 2009
	2,025,000	Huntsman ICI Holdings sr. disc. notes zero %, 2009
EUR	590,000	Huntsman International, LLC sr. sub. notes Ser. EXCH, 10 1/8s, 2009
	\$320,000	IMC Global, Inc. company guaranty Ser. B, 11 1/4s, 2011
	567,000	IMC Global, Inc. company guaranty Ser. B, 10 7/8s, 2008
	1,910,000	ISP Chemco, Inc. company guaranty Ser. B, 10 1/4s, 2011
	375,000	ISP Holdings, Inc. sec. sr. notes Ser. B, 10 5/8s, 2009
	80,000	Kaiser Aluminum & Chemical Corp. sr. notes Ser. B, 10 7/8s, 2006 (In default) (NON)
	2,360,000	Kaiser Aluminum & Chemical Corp. sr. sub. notes 12 3/4s, 2003 (In default) (NON)
	530,000	Louisiana-Pacific Corp. sr. notes 8 7/8s, 2010
	2,000	Louisiana-Pacific Corp. sr. sub. notes 10 7/8s, 2008
	445,000	Lyondell Chemical Co. bonds 11 1/8s, 2012
	185,000	Lyondell Chemical Co. company guaranty 9 1/2s, 2008
	525,000	Lyondell Chemical Co. notes Ser. A, 9 5/8s, 2007
	60,000	Lyondell Chemical Co. sr. sub. notes 10 7/8s, 2009
	1,205,000	Lyondell Chemical Co. 144A sec. notes 9 1/2s, 2008
EUR	1,110,000	MDP Acquisitions PLC sr. notes 10 1/8s, 2012 (Ireland)

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EUR

\$442,536 MDP Acquisitions PLC sub. notes 15 1/2s, 2013 (Ireland) (PIK)
 310,000 Messer Griesheim Holdings AG sr. notes 10 3/8s, 2011 (Germany)
 \$945,000 Millenium America, Inc. company guaranty 9 1/4s, 2008
 430,000 Millenium America, Inc. 144A sr. notes 9 1/4s, 2008
 695,000 Noveon International bonds 13s, 2011
 630,000 Noveon International company guaranty Ser. B, 11s, 2011
 1,315,000 OM Group, Inc. company guaranty 9 1/4s, 2011
 1,255,000 Pacifica Papers, Inc. sr. notes 10s, 2009 (Canada)
 609,379 PCI Chemicals Canada sec. sr. notes 10s, 2008 (Canada)
 192,965 Pioneer Cos., Inc. sec. FRN 4.6s, 2006
 1,095,000 Potlatch Corp. company guaranty 10s, 2011
 415,000 Rhodia SA 144A sr. sub. notes 8 7/8s, 2011 (France)
 355,224 Riverwood International Corp. bank term loan FRN
 Ser. C, 3.861s, 2008 (acquired 4/24/02, cost \$355,224) (RES)
 2,380,000 Riverwood International Corp. company
 guaranty 10 7/8s, 2008
 220,000 Riverwood International Corp. company
 guaranty 10 5/8s, 2007
 465,000 Royster-Clark, Inc. 1st mtge. 10 1/4s, 2009
 400,000 Salt Holdings Corp. 144A sr. disc.
 notes stepped-coupon zero % (12s, 6/1/06), 2013 (STP)
 1,070,000 Salt Holdings Corp. 144A sr. notes stepped-coupon
 zero % (12 3/4s, 12/15/07), 2012 (STP)
 310,000 Smurfit-Stone Container Corp. company
 guaranty 8 1/4s, 2012
 280,000 Solutia, Inc. company guaranty 11 1/4s, 2009
 650,000 Solutia, Inc. debs. 7 3/8s, 2027
 1,340,000 Steel Dynamics, Inc. company guaranty 9 1/2s, 2009
 194,941 Sterling Chemicals, Inc. sec. notes 10s, 2007 (PIK)
 1,090,000 Stone Container Corp. sr. notes 9 3/4s, 2011
 490,000 Stone Container Corp. sr. notes 9 1/4s, 2008
 1,105,000 Stone Container Corp. sr. notes 8 3/8s, 2012
 725,000 Stone Container Corp. 144A company
 guaranty 11 1/2s, 2006 (Canada)
 575,000 Tembec Industries, Inc. company guaranty 8 5/8s, 2009 (Canada)
 210,000 Tembec Industries, Inc. company guaranty 8 1/2s, 2011 (Canada)
 70,000 Texas Petrochemical Corp. sr. sub. notes 11 1/8s,
 2006 (In default) (NON)
 280,000 Texas Petrochemical Corp. sr. sub. notes Ser. B, 11 1/8s, 2006
 1,015,000 Ucar Finance, Inc. company guaranty 10 1/4s, 2012
 710,000 WCI Steel, Inc. sr. notes Ser. B, 10s, 2004 (In default) (NON)
 55,000 Weirton Steel Corp. sr. notes 0 1/2s, 2008 (In default) (NON)
 1,290,000 Wheeling-Pittsburgh Steel Corp. sr. notes 9 1/4s, 2007 (In default) (NON)
 570,000 WHX Corp. sr. notes 10 1/2s, 2005

Building Materials (0.6%)

1,510,000 American Standard Cos., Inc. company
 guaranty 7 5/8s, 2010
 445,000 Atrium Cos., Inc. company guaranty Ser. B, 10 1/2s, 2009
 450,000 Building Materials Corp. company guaranty 8s, 2008
 965,000 Dayton Superior Corp. 144A sec. notes 10 3/4s, 2008
 240,625 NCI Building Systems, Inc. bank term loan FRN
 Ser. B, 4.35s, 2008 (acquired 9/4/02, cost \$240,625) (RES)
 630,000 Nortek, Inc. sr. notes Ser. B, 8 7/8s, 2008
 120,000 Nortek, Inc. sr. sub. notes Ser. B, 9 7/8s, 2011
 460,000 Nortek, Inc. 144A sr. notes Ser. B, 9 1/8s, 2007
 415,000 Owens Corning bonds 7 1/2s, 2018 (In default) (NON)
 1,185,000 Owens Corning notes 7 1/2s, 2005 (In default) (NON)

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Capital Goods (5.2%)

	350,000	Advanced Glass Fiber Yarns bank term loan FRN Ser. A, 6 1/2s, 2004 (acquired 9/12/02, cost \$245,237) (RES)
	310,000	Advanced Glass Fiber Yarns sr. sub. notes 9 7/8s, 2009 (In default) (NON)
	1,148,000	AEP Industries, Inc. sr. sub. notes 9 7/8s, 2007
	313,626	Alliant Techsystems, Inc. bank term loan FRN Ser. C, 3.4924s, 2009 (acquired 5/7/02, cost \$313,626) (RES)
	212,143	Allied Waste Industries, Inc. bank term loan FRN 4.4433s, 2010 (acquired 4/25/03, cost \$212,143) (RES)
	35,357	Allied Waste Industries, Inc. bank term loan FRN Ser. C, 4.529s, 2010 (acquired 4/25/03, cost \$35,357) (RES)
	740,000	Allied Waste North America, Inc. company guaranty Ser. B, 10s, 2009
	1,975,000	Allied Waste North America, Inc. company guaranty Ser. B, 9 1/4s, 2012
	655,000	Allied Waste North America, Inc. company guaranty Ser. B, 8 7/8s, 2008
	1,670,000	Allied Waste North America, Inc. company guaranty Ser. B, 8 1/2s, 2008
	1,750,000	Argo-Tech Corp. company guaranty 8 5/8s, 2007
	120,000	Argo-Tech Corp. company guaranty Ser. D, 8 5/8s, 2007
	900,000	BE Aerospace, Inc. sr. sub. notes 9 1/2s, 2008
	185,000	BE Aerospace, Inc. sr. sub. notes Ser. B, 8 7/8s, 2011
	760,000	BE Aerospace, Inc. sr. sub. notes Ser. B, 8s, 2008
	405,000	Berry Plastics Corp. company guaranty 10 3/4s, 2012
	1,530,000	Blount, Inc. company guaranty 13s, 2009
	1,310,000	Blount, Inc. company guaranty 7s, 2005
	770,000	Briggs & Stratton company guaranty 8 7/8s, 2011
	2,300,000	Browning-Ferris Industries, Inc. debs. 7.4s, 2035
	880,000	Browning-Ferris Industries, Inc. sr. notes 6 3/8s, 2008
EUR	790,000	BSN Financing Co. SA company guaranty Ser. EUR, 10 1/4s, 2009 (Luxembourg)
	\$470,000	BSN Glasspack 144A sec. notes 9 1/4s, 2009 (France)
	187,500	Casella Waste Systems, Inc. bank term loan FRN Ser. B, 4.4412s, 2010 (acquired 1/22/03, cost \$187,500) (RES)
	300,000	Crown Cork & Seal Company, Inc. bank term loan FRN Ser. B, 4.1s, 2008 (acquired 2/21/03, cost \$297,000) (RES)
	920,000	Crown Holdings SA 144A sec. notes 10 7/8s, 2013 (France)
	1,975,000	Crown Holdings SA 144A sec. notes 9 1/2s, 2011 (France)
	1,310,000	Decrane Aircraft Holdings Co. company guaranty Ser. B, 12s, 2008
	850,000	Earle M. Jorgensen Co. sec. notes 9 3/4s, 2012
	1,150,000	FIMEP SA 144A sr. notes 10 1/2s, 2013 (France)
EUR	420,000	Flender Holdings 144A sr. notes 11s, 2010 (Denmark)
	\$116,177	Flowserve Corp. bank term loan FRN Ser. C, 3.947s, 2009 (acquired 4/30/02, cost \$116,177) (RES)
	705,000	Flowserve Corp. company guaranty 12 1/4s, 2010
EUR	135,000	Flowserve Finance BV company guaranty 12 1/4s, 2010 (Netherlands)
	\$135,000	Fonda Group, Inc. sr. sub. notes Ser. B, 9 1/2s, 2007
	300,000	Graham Packaging bank term loan FRN 5.0352s, 2010 (acquired 2/18/03, cost \$298,500) (RES)
	915,000	Hexcel Corp. sr. sub. notes 9 3/4s, 2009
	730,000	High Voltage Engineering Corp. sr. notes 10 3/4s, 2004
	650,000	Insilco Holding Co. sr. disc. notes stepped-coupon zero % (14s, 8/15/03), 2008 (In default) (NON) (STP)
EUR	380,000	Invensys, PLC sr. unsub. notes 5 1/2s, 2005 (United Kingdom)
	\$580,000	Jordan Industries, Inc. sr. notes Ser. D, 10 3/8s, 2007

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520,000 K&F Industries, Inc. sr. sub. notes Ser. B, 9 5/8s, 2010
 420,000 K&F Industries, Inc. sr. sub. notes Ser. B, 9 1/4s, 2007
 245,025 Laidlaw International, Inc. bank term loan FRN 7s,
 2009 (acquired 6/18/03, cost \$240,125) (RES)
 1,025,000 Laidlaw International, Inc. 144A sr. notes 10 3/4s, 2011
 190,000 Legrand SA debs. 8 1/2s, 2025 (France)
 425,000 Manitowoc Co., Inc. (The) company guaranty 10 1/2s, 2012
 EUR 255,000 Manitowoc Co., Inc. (The) company guaranty 10 3/8s, 2011
 \$470,064 Michigan Electric Transmission Co./Michigan
 Electric Transmission, Inc. bank term loan FRN
 Ser. B, 3.6s, 2007 (acquired 4/22/02, cost \$270,064) (RES)
 1,435,000 Motors and Gears, Inc. sr. notes Ser. D, 10 3/4s, 2006
 1,565,000 Owens-Brockway Glass company guaranty 8 7/8s, 2009
 955,000 Owens-Brockway Glass sr. sec. notes 8 3/4s, 2012
 775,000 Owens-Brockway Glass 144A sr. notes 8 1/4s, 2013
 725,000 Owens-Brockway Glass 144A sr. sec. notes 7 3/4s, 2011
 135,000 Pliant Corp. company guaranty 13s, 2010
 715,000 Pliant Corp. 144A sec. notes 11 1/8s, 2009
 930,000 Roller Bearing Company of America company
 guaranty Ser. B, 9 5/8s, 2007
 1,650,000 Sequa Corp. sr. notes 9s, 2009
 160,000 Sequa Corp. sr. notes Ser. B, 8 7/8s, 2008
 110,000 Sequa Corp. 144A sr. notes 8 7/8s, 2008
 855,000 Siebe PLC 144A notes 7 1/8s, 2007 (United Kingdom)
 290,000 Siebe PLC 144A sr. unsub. 6 1/2s, 2010 (United Kingdom)
 335,000 Sweetheart Cup Co. company guaranty 12s, 2004
 600,000 TD Funding Corp. 144A sr. sub. notes 8 3/8s, 2011
 1,730,000 Tekni-Plex, Inc. company guaranty Ser. B, 12 3/4s, 2010
 185,000 Terex Corp. company guaranty 8 7/8s, 2008
 915,000 Terex Corp. company guaranty Ser. B, 10 3/8s, 2011
 185,000 Terex Corp. company guaranty Ser. D, 8 7/8s, 2008
 444,383 Titan Corp. (The) bank term loan FRN Ser. B,
 4.485s, 2009 (acquired various dates from 5/14/02
 to 6/3/02, cost \$444,383) (RES)
 515,000 Titan Corp. (The) 144A sr. sub. notes 8s, 2011
 75,000 Transdigm, Inc. bank term loan FRN 4.116s, 2010
 (acquired 7/21/03, cost \$75,000) (RES)
 430,000 Trimas Corp. company guaranty 9 7/8s, 2012
 380,000 Trimas Corp. 144A company guaranty 9 7/8s, 2012
 601,596 Veridian Corp. bank term loan FRN Ser. B, 4.35s,
 2008 (acquired 9/20/02, cost \$601,596) (RES)
 510,000 Vought Aircraft Industries Inc. 144A sr. notes 8s, 2011

Commercial and Consumer Services (0.4%)

189,225 Coinmach Corp. bank term loan FRN Ser. B, 4.0327s,
 2009 (acquired 1/31/02, cost \$188,988) (RES)
 1,655,000 Coinmach Corp. sr. notes 9s, 2010
 196,704 Corrections Corp. of America bank term loan FRN
 4.6698s, 2008 (acquired 2/24/03, cost \$196,950) (RES)
 670,372 Derby Cycle Corp. (The) sr. notes 10s, 2008 (In default) (NON)
 DEM 77,574 Derby Cycle Corp. (The) sr. notes 9 3/8s, 2008 (In default) (NON)
 EUR 1,645,474 Derby Cycle Corp. (The) sr. notes 9 3/8s, 2008 (In default) (NON)
 \$895,000 IESI Corp. company guaranty 10 1/4s, 2012
 910,000 Outsourcing Solutions, Inc. sr. sub. notes Ser. B,
 11s, 2006 (In default) (NON)
 123,750 Worldspan bank term loan FRN 4 7/8s, 2007
 (acquired 6/30/03, cost \$122,513) (RES)

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Communication Services (5.1%)

	1,995,000	ACC Escrow Corp. 144A sr. notes 10s, 2011
	550,000	Airgate PCS, Inc. sr. sub. notes stepped-coupon zero % (13 1/2s, 10/1/04), 2009 (STP)
	890,000	Alamosa Delaware, Inc. company guaranty 13 5/8s, 2011
	400,000	Alamosa Delaware, Inc. company guaranty 12 1/2s, 2011
	3,000	Alamosa PCS Holdings, Inc. company guaranty stepped-coupon zero % (12 7/8s, 2/15/05), 2010 (STP)
	1,970,000	American Cellular Corp. company guaranty 9 1/2s, 2009 (In default) (NON)
	405,000	American Tower Corp. sr. notes 9 3/8s, 2009
	1,360,000	American Tower Escrow Corp. disc. notes zero %, 2008
	770,000	Asia Global Crossing, Ltd. sr. notes 13 3/8s, 2010 (Bermuda) (In default) (NON)
	340,686	Bell Actimedia bank term loan FRN Ser. C, 5.35s, 2010 (acquired 11/26/02, cost \$337,279) (RES)
	2,065,000	Centennial Cellular Operating Co. 144A sr. notes 10 1/8s, 2013
	1,265,000	Cincinnati Bell, Inc. 144A company guaranty 7 1/4s, 2013
	445,735	Colo.com, Inc. 144A sr. notes 13 7/8s, 2010 (In default) (NON)
	75,000	Colt Telecommunications Group PLC sr. disc. notes 12s, 2006 (United Kingdom)
GBP	305,000	Colt Telecommunications Group PLC sr. notes 10 1/8s, 2007 (United Kingdom)
EUR	150,000	Colt Telecommunications Group PLC sr. notes 7 5/8s, 2009 (United Kingdom)
	\$1,405,000	Crown Castle International Corp. sr. disc. notes stepped-coupon zero % (10 3/8s, 5/15/04), 2011 (STP)
	1,060,000	Crown Castle International Corp. sr. notes 9 3/8s, 2011
	150,000	Crown Castle International Corp. sr. notes 9s, 2011
	1,220,000	Dobson/Sygnnet Communications, Inc. sr. notes 12 1/4s, 2008
	365,000	Eircom Funding 144A sr. sub. notes 8 1/4s, 2013 (Ireland)
	540,000	Fairpoint Communications, Inc. sr. sub. notes 12 1/2s, 2010
	380,000	Firstworld Communication Corp. sr. disc. notes zero %, 2008 (In default) (NON)
	459,310	Globix Corp. company guaranty 11s, 2008 (PIK)
	220,000	Horizon PCS, Inc. company guaranty 13 3/4s, 2011
	90,000	Intermedia Communications, Inc. sr. notes Ser. B, 8.6s, 2008 (In default) (NON)
	1,270,000	iPCS, Inc. sr. disc. notes stepped-coupon zero % (14s, 7/15/05), 2010 (In default) (NON) (STP)
	705,000	IWO Holdings, Inc. company guaranty 14s, 2011
	1,000,000	L-3 Communications Corp. Structured Notes Ser. 01-5, 8.82s, 2009 (Issued by COUNTS Trust)
	815,000	Madison River Capital Corp. sr. notes 13 1/4s, 2010
	450,000	Metromedia Fiber Network, Inc. sr. notes 10s, 2009 (In default) (NON)
	1,070,000	Metromedia Fiber Network, Inc. sr. notes Ser. B, 10s, 2008 (In default) (NON)
	1,085,000	Millicom International Cellular SA 144A sr. notes 11s, 2006 (Luxembourg)
	925,000	Nextel Communications, Inc. bank term loan FRN Ser. A, 2.5625s, 2007 (acquired 11/1/02, cost \$807,063) (RES)
	186,094	Nextel Communications, Inc. bank term loan FRN Ser. B, 4.6875s, 2008 (acquired 12/19/02, cost \$172,090) (RES)
	186,094	Nextel Communications, Inc. bank term loan FRN Ser. C, 4.9375s, 2008 (acquired 12/19/02, cost \$172,090) (RES)
	25,000	Nextel Communications, Inc. sr. disc. notes 9.95s, 2008
	420,000	Nextel Communications, Inc. sr. notes 12s, 2008
	540,000	Nextel Communications, Inc. sr. notes 9 1/2s, 2011

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1,805,000 Nextel Communications, Inc. sr. notes 9 3/8s, 2009
1,425,000 Nextel Communications, Inc. sr. notes 7 3/8s, 2015
85,000 Nextel Partners, Inc. sr. notes 12 1/2s, 2009
760,000 Nextel Partners, Inc. sr. notes 11s, 2010
2,440,000 Nextel Partners, Inc. 144A sr. notes 8 1/8s, 2011
990,000 Orbital Imaging Corp. sr. notes Ser. B, 11 5/8s, 2005 (In default) (NON)
448,500 PanAmSat Corp. bank term loan FRN Ser. B, 4.6s,
2009 (acquired 2/21/02, cost \$447,939) (RES)
1,160,000 PanAmSat Corp. company guaranty 8 1/2s, 2012
10,000 Qwest Capital Funding, Inc. company guaranty 7 3/4s, 2006
268,125 Qwest Communications International, Inc. bank term
loan FRN 6 1/2s, 2007 (acquired 6/5/03, cost \$265,444) (RES)
2,855,000 Qwest Corp. 144A notes 8 7/8s, 2012
3,692,000 Qwest Services Corp. 144A notes 13 1/2s, 2010
70,000 Rogers Cantel, Ltd. debs. 9 3/8s, 2008 (Canada)
1,075,000 Rogers Cantel, Ltd. sr. sub. notes 8.8s, 2007 (Canada)
380,000 Rogers Wireless, Inc. sec. notes 9 5/8s, 2011 (Canada)
420,000 Rural Cellular Corp. sr. sub. notes Ser. B, 9 5/8s, 2008
480,000 SBA Communications Corp. sr. disc. notes 12s, 2008
695,000 SBA Communications Corp. sr. notes 10 1/4s, 2009
152,000 Telecorp PCS, Inc. company guaranty 10 5/8s, 2010
2,690,000 Telus Corp. notes 8s, 2011 (Canada)
298,500 Time Warner Telecom, Inc. bank term loan FRN
Ser. B, 5.1s, 2009 (acquired 1/15/03, cost \$260,922) (RES)
375,000 Time Warner Telecom, Inc. sr. notes 10 1/8s, 2011
710,000 TSI Telecommunication Services, Inc. company
guaranty Ser. B, 12 3/4s, 2009
550,000 U.S. West, Inc. notes 5 5/8s, 2008
577,000 UbiquiTel Operating Co. 144A company guaranty
stepped-coupon zero % (14s, 4/15/05), 2010 (STP)
2,225,000 US UnWired, Inc. company guaranty stepped-coupon
Ser. B, zero % (13 3/8s, 11/1/04), 2009 (STP)
565,000 US West Capital Funding, Inc. company
guaranty 6 1/4s, 2005
1,500,000 Western Wireless Corp. 144A sr. notes 9 1/4s, 2013
140,000 Williams Communications Group, Inc. notes zero %,
2010 (In default) (NON)
180,000 Williams Communications Group, Inc. notes zero %,
2008 (In default) (NON)
280,000 Williams Communications Group, Inc. notes zero %,
2007 (In default) (NON)

Conglomerates (0.4%)

230,000 Tyco International Group SA company
guaranty 6 3/4s, 2011 (Luxembourg)
1,485,000 Tyco International Group SA company
guaranty 6 3/8s, 2006 (Luxembourg)
310,000 Tyco International Group SA company
guaranty 6 3/8s, 2005 (Luxembourg)
1,935,000 Tyco International Group SA notes 6 3/8s, 2011
(Luxembourg)

Consumer (0.5%)

1,470,000 Icon Health & Fitness company guaranty 11 1/4s, 2012
300,000 Jostens, Inc. bank term loan FRN Ser. B, 3.61s,
2010 (acquired 7/28/03, cost \$300,000) (RES)

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730,000 Jostens, Inc. sr. sub. notes 12 3/4s, 2010
 2,330,000 Samsonite Corp. sr. sub. notes 10 3/4s, 2008

Consumer Staples (8.5%)

29,000 Acme Communications, Inc. sr. disc. notes Ser. B, 12s, 2005
 110,000 Adelpia Communications Corp. notes Ser. B,
 9 7/8s, 2005 (In default) (NON)
 560,000 Adelpia Communications Corp. sr. notes 10 7/8s, 2010 (In default) (NON)
 25,000 Adelpia Communications Corp. sr. notes 10 1/4s, 2011 (In default) (NON)
 75,000 Adelpia Communications Corp. sr. notes 9 3/8s, 2009 (In default) (NON)
 1,505,000 Adelpia Communications Corp. sr. notes Ser. B,
 7 3/4s, 2009 (In default) (NON)
 370,000 Ahold Finance USA eurobonds 6 3/8s, 2005
 485,000 AMC Entertainment, Inc. sr. sub. notes 9 7/8s, 2012
 1,055,000 AMC Entertainment, Inc. sr. sub. notes 9 1/2s, 2011
 990,000 AMC Entertainment, Inc. sr. sub. notes 9 1/2s, 2009
 445,065 American Seafood Group, LLC bank term loan FRN
 Ser. B, 4.35s, 2009 (acquired 4/11/02, cost \$444,620) (RES)
 304,417 AMF Bowling Worldwide bank term loan FRN Ser. B,
 5.5283s, 2008 (acquired 3/1/02, cost \$303,656) (RES)
 451,518 Archibald Candy Corp. company guaranty 10s, 2007 (PIK)
 890,000 Armkel, LLC/Armkel Finance sr. sub. notes 9 1/2s, 2009
 315,000 Aurora Foods, Inc. sr. sub. notes Ser. B, 9 7/8s, 2007 (In default) (NON)
 450,000 Aurora Foods, Inc. 144A sr. sub. notes Ser. D,
 9 7/8s, 2007 (In default) (NON)
 735,000 Brand Services, Inc. company guaranty 12s, 2012
 2,320,000 British Sky Broadcasting PLC company
 guaranty 6 7/8s, 2009 (United Kingdom)
 685,000 Capital Records Inc. 144A company guaranty 8 3/8s, 2009
 257,885 Carmike Cinemas, Inc. bank term loan FRN Ser. B,
 7 3/4s, 2005 (acquired 10/4/02, cost \$251,663) (RES)
 1,120,000 Century Cable Holdings bank term loan FRN 6s, 2009
 (acquired various dates from 5/22/02 to 6/11/02, cost \$980,796) (RES)
 248,741 Charter Communications Holdings, LLC bank term
 loan FRN Ser. B, 3.86s, 2008 (acquired 1/9/03, cost \$216,093) (RES)
 360,000 Charter Communications Holdings, LLC/Capital Corp.
 sr. disc. notes stepped-coupon zero % (12 1/8s, 1/15/07), 2012 (STP)
 735,000 Charter Communications Holdings, LLC/Capital Corp.
 sr. disc. notes stepped-coupon zero % (11 3/4s, 5/15/06), 2011 (STP)
 595,000 Charter Communications Holdings, LLC/Capital Corp.
 sr. disc. notes stepped-coupon zero % (11 3/4s, 1/15/05), 2010 (STP)
 2,180,000 Charter Communications Holdings, LLC/Capital Corp.
 sr. notes 11 1/8s, 2011
 1,195,000 Charter Communications Holdings, LLC/Capital Corp.
 sr. notes 10 3/4s, 2009
 585,000 Charter Communications Holdings, LLC/Capital Corp.
 sr. notes 10 1/4s, 2010
 2,310,000 Charter Communications Holdings, LLC/Capital Corp.
 sr. notes 10s, 2011
 995,000 Charter Communications Holdings, LLC/Capital Corp.
 sr. notes 9 5/8s, 2009
 525,000 Charter Communications Holdings, LLC/Capital Corp.
 sr. notes 8 5/8s, 2009
 130,000 Charter Communications Holdings, LLC/Capital Corp.
 sr. notes 8 1/4s, 2007
 910,000 Cinemark USA, Inc. sr. sub. notes 9s, 2013
 1,805,000 Cinemark USA, Inc. sr. sub. notes Ser. B, 8 1/2s, 2008
 210,000 Constellation Brands, Inc. company guaranty 8 1/2s, 2009
 420,000 Constellation Brands, Inc. company guaranty Ser. B, 8s, 2008

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595,000 Constellation Brands, Inc. sr. sub. notes Ser. B, 8 1/8s, 2012
 247,500 Constellation Energy Group, Inc. bank term loan FRN Ser. B,
 3 7/8s, 2008 (acquired 3/20/03, cost \$247,500) (RES)
 2,575,000 CSC Holdings, Inc. sr. notes 7 7/8s, 2007
 240,000 Dean Foods Co. sr. notes 6 5/8s, 2009
 310,000 Del Monte Corp. company guaranty Ser. B, 9 1/4s, 2011
 780,000 Del Monte Corp. 144A sr. sub. notes 8 5/8s, 2012
 347,413 Del Monte Foods Co. bank term loan FRN Ser. B,
 4.8581s, 2010 (acquired 12/16/02, cost \$345,676) (RES)
 165,000 DirectTV bank term loan FRN Ser. B, 4.7539s, 2010
 (acquired 3/4/03, cost \$165,000) (RES)
 1,315,000 DirectTV Holdings, LLC 144A sr. notes 8 3/8s, 2013
 3,586,000 Diva Systems Corp. sr. disc. notes Ser. B,
 12 5/8s, 2008 (In default) (NON)
 1,150,000 Doane Pet Care Co. sr. sub. debs. 9 3/4s, 2007
 57,033 Dole Food Co. bank term loan FRN Ser. B, 5.0446s,
 2008 (acquired 3/28/03, cost \$57,033) (RES)
 275,000 Dole Food Co. sr. notes 7 1/4s, 2009
 365,000 Dole Food Co. 144A sr. notes 8 7/8s, 2011
 510,000 Domino's, Inc. 144A sr. sub. notes 8 1/4s, 2011
 560,000 Eagle Family Foods company guaranty Ser. B, 8 3/4s, 2008
 2,795,000 Echostar DBS Corp. sr. notes 10 3/8s, 2007
 3,155,000 Echostar DBS Corp. sr. notes 9 1/8s, 2009
 125,000 Elizabeth Arden, Inc. sec. notes Ser. B, 11 3/4s, 2011
 GBP 170,000 EMI Group eurobonds 9 3/4s, 2008 (United Kingdom)
 \$297,000 Emmis Communications Corp. bank term loan FRN
 Ser. C, 3 3/8s, 2009 (acquired 6/20/02, cost \$296,629) (RES)
 335,000 Emmis Communications Corp. company
 guaranty Ser. B, 8 1/8s, 2009
 90,000 Emmis Communications Corp. sr. disc.
 notes stepped-coupon zero % (12 1/2s, 3/15/06), 2011 (STP)
 865,000 Fleming Cos., Inc. company guaranty 10 1/8s, 2008 (In default) (NON)
 720,000 Fleming Cos., Inc. sr. notes 9 1/4s, 2010 (In default) (NON)
 290,000 French Fragrances, Inc. company guaranty Ser. D, 10 3/8s, 2007
 365,000 French Fragrances, Inc. sr. notes Ser. B, 10 3/8s, 2007
 55,000 Granite Broadcasting Corp. sr. sub. notes 10 3/8s, 2005
 840,000 Granite Broadcasting Corp. sr. sub. notes 9 3/8s, 2005
 1,130,000 Granite Broadcasting Corp. sr. sub. notes 8 7/8s, 2008
 585,000 Gray Television, Inc. company guaranty 9 1/4s, 2011
 105,000 Insight Midwest LP/Insight Capital, Inc. bank term
 loan FRN 4.0625s, 2009 (acquired 11/5/01, cost \$104,803) (RES)
 430,000 Insight Midwest LP/Insight Capital, Inc. sr. notes 10 1/2s, 2010
 135,000 Insight Midwest LP/Insight Capital, Inc. sr. notes 9 3/4s, 2009
 52,627 Knology, Inc. 144A sr. notes 12s, 2009 (PIK)
 815,000 Land O'Lakes, Inc. sr. notes 8 3/4s, 2011
 350,000 LIN Television Corp. company guaranty 8s, 2008
 450,000 MGM Studios bank term loan FRN Ser. B, 4.1s, 2008
 (acquired 6/10/02, cost \$450,000) (RES)
 1,270,000 News America Holdings, Inc. company guaranty 9 1/4s, 2013
 92,230 Nexstar Broadcasting bank term loan FRN Ser. B,
 4.29s, 2011 (acquired 2/5/03, cost \$92,230) (RES)
 39,020 Nexstar Mission Broadcasting bank term loan FRN
 4.29s, 2011 (acquired 2/5/03, cost \$39,020) (RES)
 1,560,000 North Atlantic Trading Co. company guaranty Ser. B, 11s, 2004
 465,000 Olympus Cable bank term loan FRN Ser. B, 6s, 2010
 (acquired various dates from 6/20/02 to 11/6/02,
 cost \$374,206) (RES)
 510,000 Pegasus Satellite sr. notes 12 3/8s, 2006
 297,000 Playtex Products, Inc. bank term loan FRN Ser. C,
 4.6191s, 2009 (acquired 6/3/02, cost \$297,000) (RES)
 2,195,000 Playtex Products, Inc. company guaranty 9 3/8s, 2011
 630,000 Polaroid Corp. sr. notes 11 1/2s, 2006 (In default) (NON)

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900,000 Premier International Foods PLC sr. notes 12s,
 2009 (United Kingdom)
 390,000 Premier Parks, Inc. sr. notes 10s, 2007
 1,565,000 Premium Standard Farms, Inc. sr. notes 9 1/4s, 2011
 2,658,731 Quorum Broadcast Holdings, LLC notes stepped-coupon
 zero % (15s, 5/15/06), 2009 (STP)
 980,000 RAB Enterprises, Inc. company guaranty 10 1/2s, 2005
 178,000 Rayovac Corp. bank term loan FRN Ser. B, 4.9238s,
 2009 (acquired 9/26/02, cost \$177,822) (RES)
 502,000 RCN Corp. sr. disc. notes Ser. B, zero %, 2008
 560,000 Regal Cinemas, Inc. company guaranty Ser. B, 9 3/8s, 2012
 980,000 Remington Arms Co., Inc. 144A company guaranty 10 1/2s, 2011
 640,000 Revlon Consumer Products sr. notes 9s, 2006
 500,000 Revlon Consumer Products sr. notes 8 1/8s, 2006
 165,000 Rite Aid Corp. bank term loan FRN 4.6035s, 2008
 (acquired 5/16/03, cost \$164,794) (RES)
 780,000 Rite Aid Corp. 144A notes 9 1/2s, 2011
 160,000 Rite Aid Corp. 144A notes 6s, 2005
 945,000 Rite Aid Corp. 144A sr. notes 9 1/4s, 2013
 525,000 Rite Aid Corp. 144A sr. sec. notes 8 1/8s, 2010
 780,000 Rogers Cablesystems, Ltd. sr. notes Ser. B, 10s, 2005 (Canada)
 296,256 Roundy's, Inc. bank term loan FRN 3.6304s, 2009
 (acquired 6/3/02, cost \$296,256) (RES)
 1,130,000 Sbarro, Inc. company guaranty 11s, 2009
 670,000 Scotts Co. (The) company guaranty 8 5/8s, 2009
 423,170 Shoppers Drug Mart bank term loan FRN Ser. F,
 3 1/8s, 2009 (acquired various dates from 5/22/02
 to 5/29/02, cost \$424,907) (RES)
 1,120,000 Silver Cinemas, Inc. sr. sub. notes 10 1/2s, 2005 (In default) (NON)
 440,000 Sinclair Broadcast Group, Inc. company guaranty 8 3/4s, 2011
 525,000 Sinclair Broadcast Group, Inc. company guaranty 8s, 2012
 281,250 Six Flags, Inc. bank term loan FRN Ser. B, 3.37s,
 2009 (acquired 1/15/03, cost \$280,898) (RES)
 3,935,000 Six Flags, Inc. sr. notes 8 7/8s, 2010
 1,840,000 TeleWest Communications PLC debs. 11s, 2007
 (United Kingdom) (In default) (NON)
 300,000 TeleWest Communications PLC debs. 9 5/8s, 2006
 (United Kingdom) (In default) (NON)
 255,000 TeleWest Communications PLC sr. notes Ser. S,
 9 7/8s, 2010 (United Kingdom) (In default) (NON)
 105,000 TeleWest Communications PLC 144A sr. notes 11 1/4s,
 2008 (United Kingdom) (In default) (NON)
 1,880,000 United Pan-Europe NV sr. disc. notes 12 1/2s, 2009
 (Netherlands) (In default) (NON)
 3,010,000 United Pan-Europe NV sr. disc. notes stepped-coupon
 zero % (13 3/4s, 2/1/05), 2010 (Netherlands) (In default) (NON) (STP)
 180,000 United Pan-Europe NV 144A bonds 10 7/8s, 2009
 (Netherlands) (In default) (NON)
 400,000 United Rentals (North America), Inc. company
 guaranty Ser. B, 10 3/4s, 2008
 165,000 Vivendi Universal SA bank term loan FRN Ser. B,
 3.8574s, 2008 (acquired 6/23/03, cost \$165,000) (France) (RES)
 755,000 Vivendi Universal SA 144A notes 6 1/4s, 2008 (France)
 630,000 Vivendi Universal SA 144A sr. notes 9 1/4s, 2010 (France)
 955,000 Williams Scotsman, Inc. company guaranty 9 7/8s, 2007
 1,663,000 Young Broadcasting, Inc. company guaranty 10s, 2011
 113,000 Young Broadcasting, Inc. company guaranty Ser. B, 8 3/4s, 2007
 50,000 Yum! Brands, Inc. sr. notes 8 7/8s, 2011
 370,000 Yum! Brands, Inc. sr. notes 8 1/2s, 2006
 1,470,000 Yum! Brands, Inc. sr. notes 7.65s, 2008

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Energy (4.8%)

970,000 Arch Western Finance, LLC 144A sr. notes 6 3/4s, 2013
960,000 Belden & Blake Corp. company guaranty Ser. B, 9 7/8s, 2007
890,000 BRL Universal Equipment sec. notes 8 7/8s, 2008
475,000 Chesapeake Energy Corp. company guaranty 9s, 2012
345,000 Chesapeake Energy Corp. company guaranty 8 3/8s, 2008
155,000 Chesapeake Energy Corp. company guaranty 8 1/8s, 2011
215,000 Chesapeake Energy Corp. sr. notes Ser. B, 8 1/2s, 2012
1,515,000 Chesapeake Energy Corp. 144A sr. notes 7 1/2s, 2013
1,220,000 Comstock Resources, Inc. company guaranty 11 1/4s, 2007
975,000 Dresser, Inc. company guaranty 9 3/8s, 2011
310,000 El Paso Energy Partners LP company guaranty Ser. B, 8 1/2s, 2011
645,000 Encore Acquisition Co. company guaranty 8 3/8s, 2012
850,000 Forest Oil Corp. company guaranty 7 3/4s, 2014
420,000 Forest Oil Corp. sr. notes 8s, 2011
275,000 Forest Oil Corp. sr. notes 8s, 2008
2,720,000 Gazprom OAO 144A notes 9 5/8s, 2013 (Russia)
595,000 Hornbeck Offshore Services, Inc. sr. notes 10 5/8s, 2008
410,000 Key Energy Services, Inc. sr. notes 6 3/8s, 2013
105,000 Leviathan Gas Corp. company guaranty Ser. B, 10 3/8s, 2009
980,000 Newfield Exploration Co. sr. notes 7 5/8s, 2011
400,000 OAO Gazprom notes Ser. REGS, 9 5/8s, 2013 (Russia)
450,000 Offshore Logistics, Inc. 144A sr. notes 6 1/8s, 2013
755,000 Parker Drilling Co. company guaranty Ser. B, 10 1/8s, 2009
123,441 Peabody Energy Corp. bank term loan FRN Ser. B,
3.6925s, 2010 (acquired 3/20/03, cost \$123,441) (RES)
1,525,000 Pemex Project Funding Master Trust 144A bonds 8 5/8s, 2022
1,850,000 Pemex Project Funding Master Trust 144A notes 7 3/8s, 2014
1,410,000 Petronas Capital, Ltd. company guaranty 7 7/8s, 2022 (Malaysia)
315,000 Petronas Capital, Ltd. company guaranty 7s, 2012 (Malaysia)
2,830,000 Petronas Capital, Ltd. 144A company guaranty 7 7/8s,
2022 (Malaysia)
1,120,000 Petronas Capital, Ltd. 144A company guaranty 7s,
2012 (Malaysia)
3,500,000 Pioneer Natural Resources Co. company guaranty 9 5/8s, 2010
160,000 Pioneer Natural Resources Co. company guaranty 7.2s, 2028
525,000 Plains All American Pipeline LP/Plains All
American Finance Corp. company guaranty 7 3/4s, 2012
800,000 Plains Exploration & Production Co. company
guaranty Ser. B, 8 3/4s, 2012
675,000 Plains Exploration & Production Co. 144A
sr. sub. notes 8 3/4s, 2012
920,000 Pogo Producing Co. sr. sub. notes Ser. B, 8 1/4s, 2011
591,000 Pride Petroleum Services, Inc. sr. notes 9 3/8s, 2007
750,000 Seabulk International, Inc. 144A sr. notes 9 1/2s, 2013
420,000 Seven Seas Petroleum, Inc. sr. notes Ser. B,
12 1/2s, 2005 (In default) (NON)
1,035,000 Star Gas Partners LP/Star Gas Finance Co.
sr. notes 10 1/4s, 2013
550,000 Star Gas Propane bank term loan FRN 8.04s, 2009
(acquired 5/7/03, cost \$539,000) (RES)
210,000 Stone Energy Corp. company guaranty 8 3/4s, 2007
1,000,000 Stone Energy Corp. sr. sub. notes 8 1/4s, 2011
460,000 Swift Energy Co. sr. sub. notes 10 1/4s, 2009
660,000 Swift Energy Co. sr. sub. notes 9 3/8s, 2012
500,000 Tesoro Petroleum Corp. sec. notes 8s, 2008
1,030,000 Trico Marine Services, Inc. company guaranty 8 7/8s, 2012
205,000 Universal Compression, Inc. 144A sr. notes 7 1/4s, 2010
900,000 Vintage Petroleum, Inc. sr. notes 8 1/4s, 2012
605,000 Vintage Petroleum, Inc. sr. sub. notes 9 3/4s, 2009

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205,000 Vintage Petroleum, Inc. sr. sub. notes 7 7/8s, 2011
165,000 Weg Acquisition bank term loan FRN 5.61s, 2008
(acquired 6/13/03, cost \$163,350) (RES)
1,110,000 Westport Resources Corp. company guaranty 8 1/4s, 2011
385,000 Westport Resources Corp. 144A company guaranty 8 1/4s, 2011
530,000 XTO Energy, Inc. sr. notes 7 1/2s, 2012
320,000 XTO Energy, Inc. sr. notes 6 1/4s, 2013

Financial (2.0%)

1,470,000 Advanta Corp. 144A company guaranty Ser. B, 8.99s, 2026
700,000 Chevy Chase Savings Bank, Inc. sub. debs. 9 1/4s, 2005
530,000 Consec, Inc. 144A company guaranty 10 3/4s, 2009 (In default) (NON)
170,000 Crescent Real Estate Equities LP notes 7 1/2s, 2007 (R)
1,075,000 Crescent Real Estate Equities LP sr. notes 9 1/4s, 2009 (R)
3,046,000 Finova Group, Inc. notes 7 1/2s, 2009
330,252 Hilb, Rogal & Hamilton Co. bank term loan FRN
Ser. B, 3 7/8s, 2007 (acquired 6/20/02, cost \$330,252) (RES)
247,500 Infinity Inc. bank term loan FRN 3.6s, 2010
(acquired 7/2/03, cost \$247,500) (RES)
1,135,000 iStar Financial, Inc. sr. notes 8 3/4s, 2008 (R)
625,000 iStar Financial, Inc. sr. notes 7s, 2008 (R)
6,345,900 JPMorgan HYDI 144A notes 8s, 2008
338,000 Nationwide Credit, Inc. sr. notes Ser. A, 10 1/4s,
2008 (In default) (NON)
81,000 Ocwen Financial Corp. notes 11 7/8s, 2003
1,070,000 Resource America, Inc. 144A sr. notes 12s, 2004
2,890,000 Sovereign Bancorp, Inc. sr. notes 10 1/2s, 2006
760,000 Western Financial Bank sub. debs. 9 5/8s, 2012

Gaming & Lottery (3.0%)

690,000 Ameristar Casinos, Inc. company guaranty 10 3/4s, 2009
900,000 Argosy Gaming Co. company guaranty 10 3/4s, 2009
230,000 Argosy Gaming Co. sr. sub. notes 9s, 2011
250,000 Borgata Resorts bank term loan FRN Ser. B,
5.1793s, 2007 (acquired 6/5/02, cost \$249,375) (RES)
1,050,000 Boyd Gaming Corp. sr. sub. notes 8 3/4s, 2012
500,000 Chumash Casino & Resort Enterprise 144A
sr. notes 9s, 2010
1,245,000 Herbst Gaming, Inc. sec. notes Ser. B, 10 3/4s, 2008
980,000 Hollywood Park, Inc. company guaranty Ser. B, 9 1/4s, 2007
1,250,000 Horseshoe Gaming Holdings company guaranty 8 5/8s, 2009
900,000 International Game Technology sr. notes 8 3/8s, 2009
1,195,000 Majestic Investor Holdings/Capital Corp. company
guaranty 11.653s, 2007
600,000 Mandalay Resort Group 144A sr. notes 6 1/2s, 2009
2,730,000 MGM Mirage, Inc. company guaranty 8 1/2s, 2010
680,000 Mirage Resorts, Inc. notes 6 3/4s, 2008
75,000 Mohegan Tribal Gaming Authority sr. notes 8 1/8s, 2006
270,000 Mohegan Tribal Gaming Authority
sr. sub. notes 8 3/8s, 2011
980,000 Mohegan Tribal Gaming Authority sr. sub. notes 8s, 2012
790,000 Mohegan Tribal Gaming Authority 144A
sr. sub. notes 6 3/8s, 2009
1,410,000 Park Place Entertainment Corp. sr. notes 7 1/2s, 2009
525,000 Park Place Entertainment Corp. sr. notes 7s, 2013
545,000 Park Place Entertainment Corp. sr. sub. notes 8 7/8s, 2008

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155,000 Park Place Entertainment Corp. sr. sub. notes 8 1/8s, 2011
299,250 Penn National Gaming, Inc. bank term loan FRN
Ser. B, 5.1029s, 2010 (acquired 2/19/03, cost \$298,876) (RES)
640,000 Penn National Gaming, Inc. company
guaranty Ser. B, 11 1/8s, 2008
1,320,000 Penn National Gaming, Inc. sr. sub. notes 8 7/8s, 2010
165,000 Pinnacle Entertainment, Inc. bank term loan FRN
Ser. B, 5.725s, 2008 (acquired 4/3/03, cost \$162,938) (RES)
305,000 Pinnacle Entertainment, Inc.
sr. sub. notes Ser. B, 9 1/2s, 2007
495,000 Resorts International Hotel and Casino, Inc.
company guaranty 11 1/2s, 2009
785,000 Riviera Holdings Corp. company guaranty 11s, 2010
373,125 Scientific Gaming bank term loan FRN Ser. B, 4.6s,
2008 (acquired 12/11/02, cost \$371,259) (RES)
1,060,000 Station Casinos, Inc. sr. notes 8 3/8s, 2008
570,000 Trump Atlantic City Associates company
guaranty 11 1/4s, 2006
2,135,000 Trump Casino Holdings, LLC 144A mtge. 11 5/8s, 2010
1,300,000 Venetian Casino Resort, LLC company guaranty 11s, 2010

Health Care (3.5%)

79,133 ALARIS Medical Systems, Inc. bank term loan FRN
3.8695s, 2009 (acquired 6/30/03, cost \$79,153) (RES)
710,000 ALARIS Medical Systems, Inc. sr. sub. notes 7 1/4s, 2011
2,392,600 Alderwoods Group, Inc. company guaranty 12 1/4s, 2009
16,500 Alderwoods Group, Inc. company guaranty 11s, 2007
966,000 Alliance Imaging, Inc. sr. sub. notes 10 3/8s, 2011
605,000 AmerisourceBergen Corp. company guaranty 7 1/4s, 2012
780,000 AmerisourceBergen Corp. sr. notes 8 1/8s, 2008
510,000 Bio-Rad Labs Corp. sr. sub. notes 11 5/8s, 2007
1,210,000 Biovail Corp. sr. sub. notes 7 7/8s, 2010 (Canada)
446,625 Community Health Systems, Inc. bank term loan FRN
Ser. B, 3.78s, 2010 (acquired 7/11/02, cost \$446,625) (RES)
255,000 Dade Behring, Inc. company guaranty 11.91s, 2010
300,000 DaVita, Inc. bank term loan FRN Ser. C, 3.616s,
2009 (acquired 7/17/03, cost \$300,000) (RES)
690,000 Extendicare Health Services, Inc. company
guaranty 9 1/2s, 2010
299,250 Fisher Scientific International, Inc. bank term loan
FRN Ser. B, 3.6s, 2010 (acquired 2/13/03, cost \$299,250) (RES)
299,250 Fresenius Medical Care AG bank term loan FRN
3.6991s, 2010 (acquired 2/18/03, cost \$299,250) (RES)
52,272 Genesis Health Ventures, Inc. sec. notes FRN 6.114s, 2007
835,000 Hanger Orthopedic Group, Inc. company guaranty 10 3/8s, 2009
205,000 Hanger Orthopedic Group, Inc. sr. sub. notes 11 1/4s, 2009
920,000 HCA, Inc. debs. 7.19s, 2015
350,000 HCA, Inc. notes 8.36s, 2024
750,000 HCA, Inc. notes 7.69s, 2025
1,385,000 HCA, Inc. notes 7s, 2007
1,525,000 Healthsouth Corp. notes 7 5/8s, 2012 (In default) (NON)
705,000 Healthsouth Corp. sr. notes 8 1/2s, 2008 (In default) (NON)
340,000 Healthsouth Corp. sr. notes 8 3/8s, 2011 (In default) (NON)
290,000 Healthsouth Corp. sr. notes 7s, 2008 (In default) (NON)
560,000 IASIS Healthcare Corp. company guaranty 13s, 2009
105,000 IASIS Healthcare Corp. 144A sr. sub. notes 8 1/2s, 2009
1,260,000 Integrated Health Services, Inc.
sr. sub. notes Ser. A, 9 1/2s, 2007 (In default) (NON)
620,000 Integrated Health Services, Inc.

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sr. sub. notes Ser. A, 9 1/4s, 2008 (In default) (NON)
 256,930 Kinetic Concepts, Inc. bank term loan FRN Ser. C,
 3.85s, 2005 (acquired 11/5/01, cost \$257,251) (RES)
 1,990,000 Magellan Health Services, Inc. sr. sub. notes 9s, 2008 (In default) (NON)
 365,000 Magellan Health Services., Inc. 144A
 sr. notes 9 3/8s, 2007 (In default) (NON)
 206,250 Medex, Inc. bank term loan FRN 4.85s, 2009
 (acquired various dates from 5/16/03 to 6/16/03, cost \$206,147) (RES)
 940,000 Mediq, Inc. debs. zero %, 2009 (In default) (NON)
 1,285,000 MedQuest, Inc. company guaranty Ser. B, 11 7/8s, 2012
 2,690,000 Multicare Cos., Inc. sr. sub. notes 9s, 2007 (In default) (NON)
 EUR 535,000 NYCO Holdings 144A 11 1/2s, 2013
 \$535,000 Omnicare, Inc. company guaranty Ser. B, 8 1/8s, 2011
 510,000 Omnicare, Inc. sr. sub. notes 6 1/8s, 2013
 1,575,000 PacifiCare Health Systems, Inc. company guaranty 10 3/4s, 2009
 770,000 Province Healthcare Co. sr. sub. notes 7 1/2s, 2013
 390,000 Service Corp. International debs. 7 7/8s, 2013
 115,000 Service Corp. International notes 7.7s, 2009
 105,000 Service Corp. International notes 7.2s, 2006
 35,000 Service Corp. International notes 6 7/8s, 2007
 155,000 Service Corp. International notes 6 1/2s, 2008
 1,435,000 Service Corp. International notes 6s, 2005
 370,000 Service Corp. International notes Ser. (a), 7.7s, 2009
 1,010,000 Stewart Enterprises, Inc. notes 10 3/4s, 2008
 160,000 Tenet Healthcare Corp. sr. notes 6 3/8s, 2011
 520,000 Tenet Healthcare Corp. sr. notes 5 3/8s, 2006
 2,785,000 Triad Hospitals Holdings company guaranty Ser. B, 11s, 2009
 45,000 Triad Hospitals, Inc. company guaranty Ser. B, 8 3/4s, 2009
 425,000 Ventas Realty LP/Capital Corp. company guaranty 9s, 2012

Homebuilding (1.0%)

610,000 Beazer Homes USA, Inc. company guaranty 8 5/8s, 2011
 390,000 D.R. Horton, Inc. company guaranty 8 1/2s, 2012
 880,000 D.R. Horton, Inc. sr. notes 7 7/8s, 2011
 265,000 D.R. Horton, Inc. sr. notes 6 7/8s, 2013
 10,000 D.R. Horton, Inc. sr. notes 5 7/8s, 2013
 630,000 K. Hovnanian Enterprises, Inc. company guaranty 10 1/2s, 2007
 795,000 K. Hovnanian Enterprises, Inc. company guaranty 8 7/8s, 2012
 180,000 K. Hovnanian Enterprises, Inc. company guaranty 8s, 2012
 290,000 K. Hovnanian Enterprises, Inc. 144A sr. sub. notes 7 3/4s, 2013
 1,085,000 KB Home sr. sub. notes 9 1/2s, 2011
 85,000 KB Home sr. sub. notes 7 3/4s, 2010
 860,000 Ryland Group, Inc. sr. notes 9 3/4s, 2010
 750,000 Schuler Homes, Inc. company guaranty 10 1/2s, 2011
 55,000 Technical Olympic USA, Inc. company guaranty 10 3/8s, 2012
 190,000 Technical Olympic USA, Inc. company guaranty 9s, 2010
 135,000 Technical Olympic USA, Inc. 144A sr. sub. notes 10 3/8s, 2012
 590,000 Toll Corp. company guaranty 8 1/8s, 2009
 170,000 Toll Corp. sr. sub. notes 8 1/4s, 2011
 220,000 WCI Communities, Inc. company guaranty 10 5/8s, 2011
 735,000 WCI Communities, Inc. company guaranty 9 1/8s, 2012

Household Furniture and Appliances (0.2%)

1,000,000 Sealy Mattress Co. company guaranty Ser. B, zero %, 2002
 1,220,000 Sealy Mattress Co. sr. sub. notes Ser. B, 9 7/8s, 2007

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Lodging/Tourism (1.4%)

1,187,000 FelCor Lodging LP company guaranty 9 1/2s, 2008 (R)
 1,175,000 Hilton Hotels Corp. notes 7 5/8s, 2012
 440,000 HMM Properties, Inc. company guaranty Ser. A, 7 7/8s, 2005 (R)
 5,940,000 HMM Properties, Inc. company guaranty Ser. B, 7 7/8s, 2008 (R)
 345,000 HMM Properties, Inc. sr. notes Ser. C, 8.45s, 2008
 815,000 ITT Corp. notes 6 3/4s, 2005
 2,085,000 John Q. Hammons Hotels LP/John Q. Hammons Hotels
 Finance Corp. III 1st mtge. Ser. B, 8 7/8s, 2012
 720,000 RFS Partnership LP company guaranty 9 3/4s, 2012
 135,000 Starwood Hotels & Resorts Worldwide, Inc. company
 guaranty 7 7/8s, 2012
 535,000 Starwood Hotels & Resorts Worldwide, Inc. company
 guaranty 7 3/8s, 2007
 206,250 Wyndham International, Inc. bank term loan FRN
 6.029s, 2006 (acquired 5/21/03, cost \$165,000) (RES)

Publishing (2.1%)

 58,929 Affinity Group Holdings bank term loan FRN
 Ser. B1, 5.116s, 2009 (acquired 5/27/03, cost \$58,781) (RES)
 146,953 Affinity Group Holdings bank term loan FRN Ser. B2,
 5.116s, 2009 (acquired 5/27/03, cost \$146,586) (RES)
 1,657,000 Affinity Group Holdings sr. notes 11s, 2007
 760,000 Garden State Newspapers, Inc. sr. sub. notes 8 5/8s, 2011
 290,000 Garden State Newspapers, Inc. sr. sub. notes Ser. B, 8 3/4s, 2009
 625,000 Hollinger International Publishing, Inc. sr. notes 9s, 2010
 1,985,785 Hollinger Participation Trust 144A
 sr. notes 12 1/8s, 2010 (Canada) (PIK)
 740,000 Key3media Group, Inc. company guaranty 11 1/4s, 2011 (In default) (NON)
 680,000 Mail-Well I Corp. company guaranty 9 5/8s, 2012
 165,000 Moore Wallace bank term loan FRN Ser. B, 4.2688s,
 2010 (acquired 3/13/03, cost \$165,000) (RES)
 282,718 PRIMEDIA, Inc. bank term loan FRN Ser. B, 4.0979s,
 2009 (acquired 2/10/03, cost \$270,702) (RES)
 2,045,000 PRIMEDIA, Inc. company guaranty 8 7/8s, 2011
 470,000 PRIMEDIA, Inc. company guaranty 7 5/8s, 2008
 1,110,000 PRIMEDIA, Inc. 144A sr. notes 8s, 2013
 300,000 Quebecor Media, Inc. sr. disc. notes stepped-coupon
 zero % (13 3/4s, 7/15/06), 2011 (Canada) (STP)
 1,380,000 Quebecor Media, Inc. sr. notes 11 1/8s, 2011 (Canada)
 373,125 RH Donnelley Finance Corp. I bank term loan FRN
 Ser. B, 5.1709s, 2010 (acquired 12/4/02, cost \$373,125) (RES)
 1,290,000 RH Donnelley Finance Corp. I 144A sr. notes 8 7/8s, 2010
 825,000 RH Donnelley Finance Corp. I 144A sr. sub. notes 10 7/8s, 2012
 252,057 Sum Media bank term loan FRN Ser. B, 3.61s, 2009
 (acquired 2/4/03, cost \$252,057) (RES)
 1,215,000 Vertis, Inc. company guaranty Ser. B, 10 7/8s, 2009
 1,545,000 Vertis, Inc. 144A sec. notes 9 3/4s, 2009
 800,000 Von Hoffman Press, Inc. company guaranty 10 1/4s, 2009
 370,000 Von Hoffman Press, Inc. company guaranty FRN 10 3/8s, 2007
 468,767 Von Hoffman Press, Inc. debs. 13s, 2009 (PIK)
 87,000 Yell Finance BV sr. notes 10 3/4s, 2011 (Netherlands)

Retail (1.0%)

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129,872	Advance Stores bank term loan FRN Ser. C, 4.0049s, 2007 (acquired 3/4/03, cost \$129,872) (RES)
800,000	Asbury Automotive Group, Inc. company guaranty 9s, 2012
1,230,000	Autonation, Inc. company guaranty 9s, 2008
460,000	Gap, Inc. (The) notes 6.9s, 2007
520,000	Hollywood Entertainment Corp. sr. sub. notes 9 5/8s, 2011
1,160,000	J. Crew Operating Corp. 144A sr. sub. notes 10 3/8s, 2007
1,645,000	JC Penney Co., Inc. debs. 7.95s, 2017
245,000	JC Penney Co., Inc. debs. 7.65s, 2016
40,000	JC Penney Co., Inc. notes 8s, 2010
450,000	JC Penney Co., Inc. notes Ser. MTNA, 7.05s, 2005
2,190,000	Saks, Inc. company guaranty 8 1/4s, 2008
715,000	United Auto Group, Inc. company guaranty 9 5/8s, 2012

Technology (1.7%)

880,000	AMI Semiconductor, Inc. company guaranty 10 3/4s, 2013
205,734	Amkor Technologies, Inc. bank term loan FRN 5.1s, 2006 (acquired 4/17/03, cost \$206,005) (RES)
540,000	Amkor Technologies, Inc. structured notes 12.58s, 2005 (issued by STEERS Credit Linked Trust 2000)
270,000	Avaya, Inc. sec. sr. notes 11 1/8s, 2009
770,000	DigitalNet Holdings Inc. 144A sr. notes 9s, 2010
305,000	Iron Mountain, Inc. company guaranty 8 5/8s, 2013
232,000	Iron Mountain, Inc. company guaranty 8 1/8s, 2008 (Canada)
1,890,000	Iron Mountain, Inc. sr. sub. notes 8 1/4s, 2011
100,000	Lucent Technologies, Inc. debs. 6 1/2s, 2028
3,360,000	Lucent Technologies, Inc. debs. 6.45s, 2029
75,000	Lucent Technologies, Inc. notes 5 1/2s, 2008
1,460,000	Nortel Networks Corp. notes 6 1/8s, 2006 (Canada)
785,000	ON Semiconductor Corp. company guaranty 13s, 2008
1,095,000	SCG Holding & Semiconductor Corp. company guaranty 12s, 2009
855,000	Seagate Technology Hdd Holdings company guaranty 8s, 2009 (Cayman Islands)
208,982	Telex Communications Group, Inc. sr. sub. notes Ser. A, zero %, 2006
260,000	Xerox Cap Europe PLC company guaranty 5 7/8s, 2004 (United Kingdom)
555,000	Xerox Corp. notes Ser. MTN, 7.2s, 2016
2,480,000	Xerox Corp. sr. notes 7 1/8s, 2010
750,000	Xerox Corp. 144A sr. notes 9 3/4s, 2009
EUR	270,000 Xerox Corp. 144A sr. notes 9 3/4s, 2009

Textiles (0.3%)

\$780,000	Galey & Lord, Inc. company guaranty 9 1/8s, 2008 (In default) (NON)
1,145,000	Levi Strauss & Co. sr. notes 12 1/4s, 2012
635,000	Oxford Industries, Inc. 144A sr. notes 8 7/8s, 2011
695,000	Russell Corp. company guaranty 9 1/4s, 2010
850,000	William Carter Holdings Co. (The) company guaranty Ser. B, 10 7/8s, 2011

Tire & Rubber (0.1%)

825,000	Goodyear Tire & Rubber Co. (The) notes 7.857s, 2011
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Transportation (1.3%)

	100,000	Air Canada Corp. sr. notes 10 1/4s, 2011 (Canada) (In default) (NON)
	1,340,093	Air2 US 144A sinking fund Ser. D, 12.266s, 2020 (In default) (NON)
	620,000	Allied Holdings, Inc. company guaranty Ser. B, 8 5/8s, 2007
	525,000	American Airlines, Inc. pass-through certificates Ser. 01-1, 6.817s, 2011
	350,000	American Airlines, Inc. pass-through certificates Ser. 99-1, 7.024s, 2009
	1,365,000	Calair, LLC/Calair Capital Corp. company guaranty 8 1/8s, 2008
	450,000	Continental Airlines, Inc. pass-through certificates Ser. D, 7.568s, 2006
	1,300,000	CSX Corp. notes 6 1/4s, 2008
	550,000	Delta Air Lines, Inc. pass-through certificates Ser. 00-1, 7.779s, 2005
	359,542	Delta Air Lines, Inc. pass-through certificates Ser. 02-1, 7.779s, 2012
	1,285,000	Evergreen International Aviation, Inc. 144A sec. notes 12s, 2010
EUR	500,000	Fixed-Link Finance BV sec. notes FRN Ser. B2-X, 7.85s, 2009 (Netherlands)
	\$1,270,000	Kansas City Southern Railway Co. company guaranty 9 1/2s, 2008
	260,000	Kansas City Southern Railway Co. company guaranty 7 1/2s, 2009
	1,435,000	Navistar International Corp. company guaranty Ser. B, 9 3/8s, 2006
	300,000	Navistar International Corp. sr. notes Ser. B, 8s, 2008
	770,000	Northwest Airlines, Inc. company guaranty 7 5/8s, 2005
	655,000	Northwest Airlines, Inc. sr. notes 9 7/8s, 2007
	351,415	NWA Trust sr. notes Ser. A, 9 1/4s, 2012
	274,029	Pacer International, Inc. bank term loan FRN 4.4548s, 2010 (acquired 6/10/03, cost \$274,966) (RES)
	260,000	Travel Centers of America, Inc. company guaranty 12 3/4s, 2009
	737,147	US Air, Inc. pass-through certificates Ser. 93-A3, 10 3/8s, 2013 (In default) (NON)

Utilities & Power (4.2%)

	77,000	AES Corp. (The) sr. notes 8 7/8s, 2011
	43,000	AES Corp. (The) sr. notes 8 3/4s, 2008
	1,085,000	AES Corp. (The) 144A sec. notes 9s, 2015
	1,005,000	AES Corp. (The) 144A sec. notes 8 3/4s, 2013
	1,300,000	Allegheny Energy Supply 144A bonds 8 1/4s, 2012
	470,000	Allegheny Energy, Inc. notes 7 3/4s, 2005
	595,000	Avon Energy Partners Holdings 144A notes 7.05s, 2007 (United Kingdom)
	55,000	Avon Energy Partners Holdings 144A notes 6.46s, 2008 (United Kingdom)
	595,000	Calpine Canada Energy Finance company guaranty 8 1/2s, 2008 (Canada)
	375,000	Calpine Corp. bank term loan FRN 6.866s, 2007 (acquired 7/11/03, cost \$375,000) (RES)
	530,000	Calpine Corp. sr. notes 8 1/2s, 2011
	1,750,000	Calpine Corp. sr. notes 7 7/8s, 2008
	570,000	Calpine Corp. sr. notes 7 5/8s, 2006
	3,030,000	Calpine Corp. 144A sec. notes 8 1/2s, 2010
	390,000	CenterPoint Energy Resources Corp. debs. 6 1/2s, 2008
	335,000	CenterPoint Energy Resources Corp. 144A notes 7 7/8s, 2013
	3,700	CMS Energy Corp. bank term loan FRN Ser. C, 9s, 2004 (acquired 4/21/03, cost \$3,654) (RES)
	210,000	CMS Energy Corp. pass-through certificates 7s, 2005
	1,190,000	CMS Energy Corp. sr. notes 8.9s, 2008

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440,000 CMS Energy Corp. sr. notes 8 1/2s, 2011
 250,000 CMS Energy Corp. 144A sr. notes 7 3/4s, 2010
 140,000 CMS Panhandle Holding Corp. sr. notes 6 1/2s, 2009
 1,125,000 Dynegy Holdings, Inc. company guaranty 6 3/4s, 2005
 240,000 Dynegy Holdings, Inc. sr. notes 8 1/8s, 2005
 205,000 Dynegy Holdings, Inc. sr. notes 7.45s, 2006
 425,000 Dynegy Holdings, Inc. sr. notes 6 7/8s, 2011
 520,000 Edison Mission Energy sr. notes 10s, 2008
 530,000 Edison Mission Energy sr. notes 9 7/8s, 2011
 295,000 Edison Mission Energy sr. notes 7.73s, 2009
 215,000 El Paso CGP Co. debs. 6 1/2s, 2008
 275,000 El Paso CGP Co. notes 6 3/8s, 2009
 385,000 El Paso Corp. notes Ser. MTN, 6.95s, 2007
 170,000 El Paso Corp. sr. notes 7 3/8s, 2012
 505,000 El Paso Natural Gas Co. 144A sr. notes 7 5/8s, 2010
 1,285,000 El Paso Production Holding Co. 144A sr. notes 7 3/4s, 2013
 895,000 Gemstone Investor, Ltd. 144A company guaranty 7.71s, 2004
 1,275,000 Israel Electric Corp., Ltd. notes Ser. REGS, 7.95s, 2011 (Israel)
 1,105,000 Midland Funding II Corp. debs. Ser. B, 13 1/4s, 2006
 535,000 Midwest Generation LLC pass-through certificates Ser. A, 8.3s, 2009
 535,000 Mirant Americas Generation, Inc. sr. notes 8.3s, 2011 (In default) (NON)
 1,625,000 Mirant Americas Generation, Inc. sr. notes 7 5/8s, 2006 (In default) (NON)
 390,000 Mirant Americas Generation, Inc. sr. notes 7.2s, 2008 (In default) (NON)
 390,000 Mission Energy Holding Co. sec. notes 13 1/2s, 2008
 186 Northeast Utilities notes Ser. A, 8.58s, 2006
 465,000 Northwest Pipeline Corp. company guaranty 8 1/8s, 2010
 1,185,000 Northwestern Corp. notes 8 3/4s, 2012
 500,000 Pacific Gas & Electric Co. 144A sr. notes 7 3/8s, 2005 (In default) (NON)
 865,000 PG&E Corp. 144A sec. notes 6 7/8s, 2008
 220,000 PG&E Gas Transmission Northwest sr. notes 7.1s, 2005
 850,000 PSEG Energy Holdings, Inc. notes 7 3/4s, 2007
 670,000 SEMCO Energy, Inc. 144A sr. notes 7 3/4s, 2013
 260,000 Sierra Pacific Power Co. collateralized Ser. MTNC, 6.82s, 2006
 25,000 Sierra Pacific Power Co. general ref. mtge. Ser. A, 8s, 2008
 990,000 Sierra Pacific Resources notes 8 3/4s, 2005
 500,000 Southern California Edison Co. bank term loan FRN
 4 3/8s, 2005 (acquired 2/28/02, cost \$499,250) (RES)
 130,000 Southern California Edison Co. notes 6 3/8s, 2006
 1,270,000 Southern California Edison Co. 144A 1st mtge. 8s, 2007
 440,000 Teco Energy, Inc. notes 10 1/2s, 2007
 220,000 Teco Energy, Inc. notes 7.2s, 2011
 570,000 Teco Energy, Inc. notes 7s, 2012
 510,000 Teco Energy, Inc. sr. notes 7 1/2s, 2010
 815,000 Western Resources, Inc. sr. notes 9 3/4s, 2007
 790,000 Williams Cos., Inc. (The) FRN Ser. A, 6 3/4s, 2006
 525,000 Williams Cos., Inc. (The) notes 9 1/4s, 2004
 1,010,000 Williams Cos., Inc. (The) notes 6 1/2s, 2006
 975,000 Williams Cos., Inc. (The) sr. notes 8 5/8s, 2010
 520,000 Williams Holdings Of Delaware notes 6 1/2s, 2008
 165,000 Williams Products bank term loan FRN 4.9s, 2007
 (acquired 6/4/03, cost \$165,000) (RES)
 1,370,925 York Power Funding 144A notes 12s, 2007
 (Cayman Islands) (In default) (NON)

Total Corporate bonds and notes (cost \$524,879,123)

Foreign government bonds and notes (14.3%) (a)

Principal amount

 USD 1,250,000 Argentina (Government of) FRB Ser. L-GL, 2.313s, 2023

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EUR	6,000,000	Austria (Republic of) notes Ser. E MTN, 3.8s, 2013
USD	2,630,000	Brazil (Federal Republic of) bonds 10 1/8s, 2027
USD	1,505,000	Brazil (Federal Republic of) bonds 2.188s, 2012
USD	1,290,000	Bulgaria (Republic of) bonds 1.938s, 2024
USD	3,685,000	Bulgaria (Republic of) 144A bonds 8 1/4s, 2015
CAD	11,840,000	Canada (Government of) bonds 6s, 2011
CAD	2,725,000	Canada (Government of) bonds 5 1/2s, 2010
CAD	930,000	Canada (Government of) bonds Ser. WL43, 5 3/4s, 2029
USD	1,300,000	Chile (Republic of) bonds 5 1/2s, 2013
USD	507,876	Colombia (Republic of) bank guaranty 9 3/4s, 2011
USD	2,430,000	Colombia (Republic of) bonds 10 3/8s, 2033
USD	420,000	Colombia (Republic of) bonds Ser. NOV, 9 3/4s, 2009
USD	4,430,000	Colombia (Republic of) notes 10 3/4s, 2013
USD	660,000	Costa Rica (Republic of) 144A notes 8.05s, 2013
USD	1,285,000	Dominican Republic 144A notes 9.04s, 2013
USD	4,670,000	Ecuador (Republic of) bonds stepped-coupon Ser. REGS, 6s (7s, 8/15/03), 2030 (STP)
EUR	1,845,000	France (Government of) bonds 5 3/4s, 2032
EUR	4,830,000	France (Government of) bonds 5 1/2s, 2010
EUR	1,080,000	France (Government of) deb. 4s, 2009
EUR	6,340,000	Germany (Federal Republic of) bonds Ser. 97, 6s, 2007
USD	260,000	Indonesia (Republic of) FRN 2.005s, 2006
USD	645,000	Indonesia (Republic of) FRN 2.005s, 2005
EUR	530,000	Italy (Government of) treasury bonds 4 3/4s, 2006
USD	1,265,000	Korea Highway Corp. 144A notes 4.9s, 2013 (South Korea)
EUR	1,040,000	Netherlands (Government of) bonds 5s, 2012
NZD	12,920,000	New Zealand (Government of) bonds 6 1/2s, 2013
NZD	8,036,000	New Zealand (Government of) bonds Ser. 709, 7s, 2009
USD	240,000	Philippines (Republic of) bonds 9s, 2013
USD	3,690,000	Russia (Federation of) unsub. stepped-coupon 5s (7 1/2s, 3/31/07), 2030 (STP)
USD	8,807,500	Russia (Federation of) 144A unsub. stepped-coupon 5s (7 1/2s, 3/31/07), 2030 (STP)
USD	3,985,000	South Africa (Republic of) notes 7 3/8s, 2012
USD	1,100,000	State of Israel notes 4 5/8s, 2013
SEK	85,700,000	Sweden (Government of) bonds 6 3/4s, 2014
USD	3,175,000	Turkey (Republic of) notes 9 7/8s, 2008
USD	627,203	Ukraine (Government of) sr. notes Ser. REGS, 11s, 2007
USD	1,490,000	Ukraine (Government of) 144A bonds 7.65s, 2013
GBP	4,420,000	United Kingdom treasury bonds 10s, 2003
GBP	1,055,000	United Kingdom treasury bonds 8 3/4s, 2017
GBP	1,100,000	United Kingdom treasury bonds 5s, 2012
GBP	2,800,000	United Kingdom treasury bonds 5s, 2004
USD	1,855,000	United Mexican States bonds Ser. MTN, 8.3s, 2031
USD	2,370,000	United Mexican States notes 8 1/8s, 2019
USD	1,385,000	United Mexican States notes 7 1/2s, 2012
USD	2,150,000	United Mexican States notes 4 5/8s, 2008
USD	2,545,000	Venezuela (Republic of) bonds 9 1/4s, 2027

Total Foreign government bonds and notes (cost \$127,008,304)

U.S. government and agency obligations (9.8%) (a)
Principal amount

U.S. Government and Agency Mortgage Obligations (3.3%)

\$45,154	Federal Home Loan Mortgage Corporation
	Pass-Through Certificates 7 1/2s, March 1, 2026
340,948	Federal National Mortgage Association Pass-Through
	Certificates 7 1/2s, with due dates from

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	October 1, 2022 to January 1, 2030
11,207,000	Federal National Mortgage Association TBA, 5s, August 1, 2033
21,203,000	Government National Mortgage Association TBA, 5s, August 1, 2033

U.S. Treasury Obligations (6.5%)

	U.S. Treasury Bonds
21,600,000	7 1/2s, November 15, 2016
8,802,000	6 1/4s, May 15, 2030
12,260,000	6 1/4s, August 15, 2023
6,275,000	U.S. Treasury Notes 1 5/8s, March 31, 2005
20,460,000	U.S. Treasury Strip zero %, November 15, 2024

Total U.S. government and agency obligations (cost \$94,620,606)

Collateralized mortgage obligations (8.7%) (a)

Principal amount

\$206,562	Arc Net Interest Margin Trust Ser. 02-5A, Class A, 7 3/4s, 2032
300,832	Arc Net Interest Margin Trust 144A Ser. 02-1A, Class A, 7 3/4s, 2032
55,035,000	Bayview Financial Acquisition Trust Ser. 03-X, Class A1, Interest Only (IO), 1.36s, 2006
6,310,625	Commercial Mortgage Acceptance Corp. Ser. 97-ML1, IO, 0.96s, 2017
42,497,339	Commercial Mortgage Asset Trust Ser. 99-C1, Class X, IO, 0.91s, 2032
1,858,000	Criimi Mae Commercial Mortgage Trust Ser. 98-C1, Class A2, 7s, 2011
2,814,000	Criimi Mae Commercial Mortgage Trust 144A Ser. 98-C1, Class B, 7s, 2011
62,222,694	Deutsche Mortgage & Asset Receiving Corp. Ser. 98-C1, Class X, IO, 1.22s, 2023
25,303,411	DLJ Commercial Mortgage Corp. 144A Ser. 00-CKP1, Class S, IO, 0.481s, 2010
1,880,000	Euro 144A FRB Class A, 4.102s, 2011 Fannie Mae
2,509,970	Ser. 02-36, Class SJ, 17 3/8s, 2029
20,124,989	Ser. 00-T6, IO, 8.7s, 2030
2,740	Ser. 92-15, Class L, IO, 8s, 2022
1,071,183	Ser. 03-W3, Class 1A3, 7 1/2s, 2042
38,356	Ser. 03-W2, Class 1A3, 7 1/2s, 2042
1,304,390	Ser. 01-T10, Class A2, 7 1/2s, 2041
28,918	Ser. 01-T8, Class A1, 7 1/2s, 2041
5,025,141	Ser. 01-T7, Class A1, 7 1/2s, 2041
750,150	Ser. 01-T3, Class A1, 7 1/2s, 2040
2,212,212	Ser. 01-T1, Class A1, 7 1/2s, 2040
885,245	Ser. 99-T2, Class A1, 7 1/2s, 2039
476,501	Ser. 00-T6, Class A1, 7 1/2s, 2030
2,236,925	Ser. 01-T4, Class A1, 7 1/2s, 2028
4,692	Ser. 02-W3, Class A5, 7 1/2s, 2028
8,432	Ser. 2002-T1, Class A2, 7s, 2031
4,545,917	Ser. 02-92, Class SA, IO, 6.85s, 2033
2,859,392	Ser. 03-14, Class KS, IO, 6 1/2s, 2017
2,716,650	Ser. 03-58, Class ID, IO, 6s, 2033
2,553,852	Ser. 332, Class 2, IO, 6s, 2033

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7,425,544 Ser. 329, Class 2, IO, 5 1/2s, 2033
 10,115,313 Ser. 03-63, Class SE, IO, 5 1/2s, 2031
 4,843,694 Ser. 03-37, Class IC, IO, 5 1/2s, 2027
 8,705,981 Ser. 337, Class 2, IO, 5s, 2033
 2,663,700 Ser. 03-24, Class IC, IO, 5s, 2015
 20,353,436 Ser. 03-W10, Class 3A, IO, 2.287s, 2043
 16,800,179 Ser. 03-W10, Class 1A, IO, 2.255s, 2043
 3,215,826 Ser. 318, Class 2, IO, 1.577s, 2032
 228,682 Ser. 01-58, Class HI, IO, 1.485s, 2026
 385,543 Ser. 98-51, Class SG, IO, 1.481s, 2022
 1,359,289 Ser. 01-74, Class MI, IO, 1.103s, 2015
 2,475,974 Ser. 322, Class 2, IO, 0.77s, 2032
 6,028,304 Ser. 03-49, Class TS, IO, 0.7s, 2018
 5,527,948 Ser. 03-34, Class SG, IO, 0.695s, 2033
 16,260,163 Ser. 03-34, IO, 0.694s, 2032
 13,819,923 Ser. 03-34, Class ES, IO, 0.681s, 2033
 3,080,796 Ser. 03-26, Class IG, IO, 0.68s, 2033
 1,555,116 Ser. 02-29, Class SL, IO, 0.644s, 2029
 2,954,185 Ser. 02-52, Class SL, IO, 0.613s, 2032
 7,019,173 Ser. 02-9, Class MS, IO, 0.597s, 2032
 3,181,472 Ser. 02-63, Class SN, IO, 0.595s, 2032
 1,291,791 Ser. 03-23, Class SC, IO, 0.587s, 2033
 5,438,263 Ser. 02-36, Class QH, IO, 6.95s, 2029
 8,751,901 Ser. 03-23, Class AI, IO, 0.545s, 2017
 4,695,200 Ser. 03-41, Class SP, IO, 0.439s, 2015
 3,739,259 Ser. 03-7, Class SM, IO, 0.358s, 2023
 1,387,595 Ser. 02-21, Class PS, IO, 0.148s, 2025
 135,903 Ser. 02-27, Class IA, IO, 0.083s, 2013
 413,618 Ser. 03-26, Class JO, Principal Only (PO), zero %, 2033
 751,615 Ser. 02-97, PO, zero %, 2033
 17,485 Ser. 03-18, PO, zero %, 2032
 464,084 Ser. 99-51, Class N, PO, zero %, 2029
 358,533 Ser. 99-52, Class MO, PO, zero %, 2026
 230,759 Ser. 96-5, Class PB, PO, zero %, 2024
 22,793,178 FFCA Secured Lending Corp. Ser. 00-1, Class X, IO, 1.72s, 2020
 Freddie Mac
 1,844,800 Ser. 2412, Class GS, FRN, 18.1s, 2032
 88,296 Ser. 2028, Class SG, IO, 13.7s, 2023
 1,033,400 Ser. 2590, Class IH, IO, 5 1/2s, 2028
 2,008,400 Ser. 2515, Class IG, IO, 1.891s, 2032
 11,407,660 Ser. 216, IO, 1.589s, 2032
 3,799,300 Ser. 2448, Class SM, IO, 1.315s, 2032
 2,035,475 Ser. 2448, Class SE, IO, 0.74s, 2029
 1,089,247 Ser. 2478, Class SY, IO, 0.654s, 2021
 4,697,172 Ser. 2579, Class GS, IO, 0.639s, 2017
 1,193,586 Ser. 215, PO, zero %, 2031
 1,111,303 Ser. 2235, PO, zero %, 2030
 5 Ser. 2078, Class KC, PO, zero %, 2023
 42,292,914 GMAC Commercial Mortgage Securities, Inc.
 Ser. 99-C1, Class X, IO, 0.65s, 2033
 Government National Mortgage Association
 1,338,649 Ser. 02-36, Class SD, IO, 7.05s, 2029
 5,521,950 Ser. 01-19, Class S, IO, 6.397s, 2031
 4,412,062 Ser. 02-63, Class ST, IO, 1.066s, 2024
 2,375,186 Ser. 02-51, Class SA, IO, 0.971s, 2032
 3,716,012 Ser. 01-43, Class SJ, IO, 0.489s, 2029
 6,040,930 Ser. 02-47, Class SM, IO, 0.363s, 2032
 2,714,925 Ser. 01-43, Class SD, IO, 0.301s, 2028
 819,648 Ser. 02-40, Class IB, IO, 0.207s, 2028
 3,430,357 Ser. 02-29, Class SX, IO, 0.171s, 2029
 492,163 Ser. 98-2, Class EA, PO, zero %, 2028
 Granite Mortgages PLC

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EUR	2,005,000	Ser. 03-2, Class 2C1, 5.2s, 2010 (United Kingdom)
GBP	1,505,000	FRN Ser. 03-2, Class 3C, 4.956s, 2043 (United Kingdom)
	\$11,743,884	Merrill Lynch Mortgage Investors, Inc. Ser. 96-C2, IO, 9.1s, 2028
	4,436,110	Merrill Lynch Mortgage Trust 144A Ser. 02-MW1, Class XP, IO, 1.86s, 2034
	9,213,764	Mortgage Capital Funding, Inc. Ser. 97-MC2, Class X, IO, 8.05s, 2012
	4,457	Prudential Home Mortgage Securities Ser. 93-57, Class A4, 5.9s, 2023
	626,672	Rural Housing Trust Ser. 87-1, Class D, 6.33s, 2026
	234,055	Sasco Arc Net Interest Margin Notes Ser. 02-BC10, Class A, 7 3/4s, 2033
	1,192,568	Sasco Arc Net Interest Margin Notes 144A Ser. 03-AM1, Class A, 7 3/4s, 2033
	386,570	Sasco Net Interest Margin Trust 144A Ser. 03-BC1, Class B, zero %, 2033
		Starwood Asset Receivables Trust 144A
	270,000	FRB Ser. 03-1A, Class F, 2.2s, 2022
	340,000	FRB Ser. 03-1A, Class E, 2.15s, 2022
	355,000	FRB Ser. 03-1A, Class A2, 1.45s, 2022
	552,000	Structured Asset Securities Corp. FRN Ser. 02-HF2, Class M3, 3.1s, 2032
	4,075,000	Washington Mutual Ser. 03-S1, Class A11, IO, 5 1/2s, 2033

Total Collateralized mortgage obligations (cost \$82,816,533)

Asset-backed securities (6.7%) (a)
Principal amount

		Ameriquest Mortgage Securities, Inc.
	\$231,000	FRN Ser. 03-AR3, Class M5, 4.85s, 2033
	585,000	FRN Ser. 03-1, Class M4, 4.18s, 2033
		Amortizing Residential Collateral Trust
	31,442,727	Ser. 02-BC1, Class A, IO, 6s, 2005
	115,000	FRB Ser. 03-8, 4.866s, 2011
	541,000	FRN Ser. 02-BC5, Class B, 3.35s, 2032
	438,000	FRN Ser. 02-BC7, Class B3, 3.1s, 2032
	888,478	AQ Finance NIM Trust Ser. 03-N1, Class Note, 9.37s, 2033
	1,676,066	AQ Finance NIM Trust 144A Ser. 03-N2, Class Note, 9.3s, 2033
	560,970	Arc Net Interest Margin Trust 144A Ser. 02-8A, Class A1, 7 3/4s, 2032
	250,000	Argent Securities, Inc. FRB Ser. 03-1, 4.87s, 2033
		Asset Backed Funding Certificates
	185,000	FRB Ser. 03-WF1, Class M4, 4.35s, 2032
	607,000	FRB Ser. 03-WF1, Class M3, 4.15s, 2032
	156,347	Asset Backed Funding Corp. NIM Trust Ser. 02-WF1, 9.32s, 2032
	249,504	Asset Backed Funding Corp. NIM Trust 144A Ser. 03-WF1, Class N1, 8.35s, 2032
	222,000	Asset Backed Securities Corp. FRB Ser. 03-HE5, 5.366s, 2033
		Asset Backed Securities Corp. Home Equity Loan Trust
	350,000	FRB Ser. 02-HE3, Class M4, 4.11s, 2032
	546,000	FRN Ser. 03-HE3, Class M5, 5.11s, 2033
	1,125,000	FRN Ser. 03-HE2, Class M4, 4.96s, 2033
	2,571,000	Bank One Issuance Trust FRN Ser. 02-C1, Class C1, 2.07s, 2009
		Bayview Financial Acquisition Trust
	1,390,000	Ser. 02-CA, Class A, IO, 7.15s, 2004
	1,063,936	FRN Ser. 01-DA, Class M3, 2 1/2s, 2031
		CDC Mortgage Capital Trust
	358,000	FRB Ser. 03-HE3, Class B3, 1s, 2033
	450,000	FRN Ser. 03-HE2, Class B3, 4.85s, 2033

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Chase Funding Net Interest Margin
 41,590 Ser. 02-1, Class Note, 8 1/2s, 2035
 337,659 Ser. 02-2, 8 1/2s, 2035
 1,092,000 Ser. 03-4, 6 3/4s, 2036
 Chase Funding Net Interest Margin 144A
 717,617 Ser. 03-2A, Class Note, 8 3/4s, 2035
 313,560 Ser. 03-1A, Class Note, 8 3/4s, 2004
 Conseco Finance Securitizations Corp.
 1,436,000 Ser. 01-4, Class B1, 9.4s, 2010
 346,000 Ser. 00-2, Class A4, 8.48s, 2021
 6,061,000 Ser. 00-4, Class A6, 8.31s, 2032
 1,535,000 Ser. 00-6, Class M2, 8.2s, 2032
 400,000 Ser. 01-3, Class M2, 7.44s, 2033
 32,000 Ser. 01-4, Class A4, 7.36s, 2019
 692,000 Ser. 01-3, Class A4, 6.91s, 2033
 4,297,606 Ser. 02-1, Class A, 6.681s, 2032
 18,000 Ser. 01-3, Class A3, 5.79s, 2024
 1,100,000 Consumer Credit Reference IDX Securities FRB
 Ser. 02-1A, Class A, 3.03s, 2007
 237,000 First Franklin Mortgage Loan Asset Backed
 Certificates Ser. 03-FF3, 4.1s, 2033
 973,401 First Plus 144A Ser. 98-A, Class A, 8 1/2s, 2023
 Green Tree Financial Corp.
 1,739,000 Ser. 99-5, Class A5, 7.86s, 2031
 385,000 Ser. 95-F, Class B2, 7.1s, 2021
 239,000 Ser. 99-3, 6.16s, 2031
 Greenpoint Manufactured Housing
 3,019,016 Ser. 00-3, Class IA, 8.45s, 2031
 50,000 Ser. 99-5, Class A4, 7.59s, 2028
 GSAMP Trust
 236,778 Ser. 02-HE2N, Class Note, 8 1/4s, 2032
 299,000 FRB Ser. 03-FM1, Class B3, 5.6s, 2033
 228,146 Home Equity Asset Trust Ser. 02-1N, Class A, 8s, 2032
 1,116,903 Home Equity Asset Trust 144A Ser. 02-5N, Class A, 8s, 2033
 480,000 LBAHC Ser. 03-4, 6.535s, 2033
 1,755,000 LNR CDO, Ltd. Ser. 02-1A, Class FFL, 3.85s, 2037
 1,070,000 LNR CDO, Ltd. 144A FRB Ser. 03-1A, Class EFL,
 4.119s, 2036 (Cayman Islands)
 965,494 Long Beach Asset Holdings Corp. 144A Ser. 03-2,
 Class N1, 7.627s, 2033
 588,000 Long Beach Mortgage Loan Trust FRN Ser. 03-3,
 Class M4, 4.6s, 2033
 1,457,253 Madison Avenue Manufactured Housing Contract FRN
 Ser. 02-A, Class B1, 4.35s, 2032
 Mastr Asset Backed Securities Trust
 191,000 FRB Ser. 03-NC1, Class M6, 5.12s, 2033
 287,000 FRB Ser. 03-OPT1, Class MV5, 4.6s, 2032
 736,000 FRN Ser. 03-OPT2, Class M5, 4.85s, 2033
 957,000 Merrill Lynch Mortgage Investors, Inc. FRB
 Ser. 03-WMC1, Class B2, 4.1s, 2033
 Mid-State Trust
 638,046 Ser. 11, Class B, 8.221s, 2038
 786,421 Ser. 10, Class B, 7.54s, 2036
 Morgan Stanley Capital I
 495,000 FRB Ser. 02-NC6, Class B2, 4.85s, 2032
 560,000 FRN Ser. 03-NC6, Class B3, 4.85s, 2033
 Morgan Stanley Dean Witter Capital I
 2,318,000 FRN Ser. 01-NC4, Class B1, 3.6s, 2032
 545,000 FRN Ser. 01-NC3, Class B1, 3.55s, 2031
 890,000 FRN Ser. 02-AM2, Class B1, 3.35s, 2032
 Morgan Stanley Dean Witter Capital I 144A
 22,589 Ser. 01-AM1N, Class Note, 12 3/4s, 2032

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239,994	Ser. 01-NC4N, Class Note, 8 1/2s, 2032
560,000	New Century Home Equity Loan Trust FRN Ser. 03-2, Class M4, 4.7s, 2033
51,916	NovaStar Caps Trust Ser. 02-C1, Class A, 7.15s, 2031
527,000	Option One Mortgage Loan Trust FRN Ser. 03-3, Class M6, 4.6s, 2033
414,791	Option One Mortgage Securities Corp. Ser. 02-2A, Class CFTS, 8.83s, 2032
	Option One Mortgage Securities Corp. 144A
289,000	Ser. 03-5, 6.9s, 2033
361,654	Ser. 02-1, Class CTFS, 6 3/4s, 2032
381,721	Option One Mortgage Securities Corp. NIM Trust 144A Ser. 03-2B, Class N1, 7.63s, 2033 (Cayman Islands)
1,537,496	Pass-Through Amortizing Credit Card Trust Ser. 02-1A, Class A4FL, 6.601s, 2012
6,414,344	Residential Asset Mortgage Products, Inc. Ser. 03-RZ1, Class A, IO, 5 3/4s, 2005
	Sasco Arc Net Interest Margin Notes 144A
1,211,291	Ser. 03-BC2A, Class A, 7 3/4s, 2033
675,571	Ser. 03-3, Class A, 7 3/4s, 2033
246,629	Ser. 03-4, Class A, 7 1/2s, 2033
1,263,158	Ser. 03-5, Class A, 7.35s, 2033
200,000	SCF III Class A2, 2.316s, 2038
233,000	SHARP 144A Ser. 03-TC1N, 7 3/4s, 2033
	Structured Asset Investment Loan Trust
1,318,441	Ser. 03-BC1A, Class A, 7 3/4s, 2033
193,000	Ser. 03-BC2, Class B, 7s, 2033
15,576,000	Ser. 03-BC2, Class A, IO, 6s, 2005
1,332,000	Ser. 03-BC1, Class M3, 4.1s, 2033
514,000	FRN Ser. 03-BC3, Class B, 4.6s, 2033
544,000	TIAA Commercial Real Estate Securitization Ser. 02-1A, Class IV, 6.84s, 2037

Total Asset-backed securities (cost \$67,763,418)

Brady bonds (1.8%) (a)

Principal amount

\$4,710,000	Argentina (Republic of) govt. guaranty Ser. L-GP, 6s, 2023 (In default) (NON)
628,019	Brazil (Federal Republic of) bonds 8s, 2014
1,610,000	Brazil (Federal Republic of) govt. guaranty FRB Ser. RG, 2.188s, 2012
2,376,000	Peru (Republic of) bonds Ser. PDI, 5s, 2017
1,020,000	Peru (Republic of) coll. FLIRB 4 1/2s, 2017 (acquired various dates from 5/14/02 to 8/23/02, cost \$679,294) (RES)
4,615,000	Peru (Republic of) coll. FLIRB Ser. 20YR, 4 1/2s, 2017
7,928,571	Venezuela (Republic of) FRB 1 7/8s, 2007

Total Brady bonds (cost \$15,977,570)

Preferred stocks (1.3%) (a)

Number of shares

20,475	Chevy Chase Preferred Capital Corp. Ser. A, \$5.188 pfd.
3,805	Chevy Chase Savings Bank, Inc. \$3.25 pfd.
28,919	CSC Holdings, Inc. Ser. M, \$11.125 cum. pfd.
69,460	Diva Systems Corp. Ser. C, 6.00% cum. pfd.
20,000	Doane Pet Care Co. \$7.125 pfd.
1,192	Dobson Communications Corp. 13.00% pfd. (PIK)

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658 Dobson Communications Corp. 12.25% pfd. (PIK)
540 First Republic Capital Corp. 144A 10.50% pfd.
69 Leiner Health Products Ser. C, zero % pfd.
22,867 Lodgian, Inc. Ser. A, \$7.06 cum. pfd. (PIK)
196 Metrocall Holdings, Inc. Ser. A, 15.00% cum. pfd.
5,003 Microcell Telecommunications, Inc. zero % pfd. (Canada)
1,188 Nextel Communications, Inc. Ser. E, 11.125% pfd. (PIK)
1,807 North Atlantic Trading Co. 12.00% pfd. (PIK)
20 NTL Europe, Inc. Ser. A, zero % cum. pfd.
182 Paxson Communications Corp. 13.25% cum. pfd. (PIK)
1,687 Rural Cellular Corp. 12.25% pfd. (PIK)

Total Preferred stocks (cost \$13,442,671)

Common stocks (1.1%) (a)

Number of shares

Basic Materials (--%)

39,407 Pioneer Cos., Inc. (NON)
6,814 Polymer Group, Inc. Class A (NON)
368 Sterling Chemicals, Inc. (NON)

Capital Goods (0.1%)

70,373 Laidlaw International Inc (NON)

Communication Services (--%)

4,883 Birch Telecom, Inc. (NON)
21,241 Covad Communications Group, Inc. (NON)
48,165 Globix Corp. (NON)
228 Metrocall Holdings, Inc. (NON)
41 Microcell Telecommunications, Inc. Class A (Canada) (NON)
4,973 Microcell Telecommunications, Inc. Class B (Canada) (NON)
348 WilTel Communications, Inc. (NON)

Consumer Cyclical (0.5%)

27,093 Lodgian, Inc. (NON)
160,000 Loewen Group International, Inc. (NON)
1,250,000 Morrison Knudsen Corp. (NON)
234 Quorum Broadcast Holdings, Inc. Class E (acquired
5/15/01, cost \$1,056,491) (RES) (NON)
236,020 Regal Entertainment Group 144A
39,603 Safety Components International, Inc. (NON)
3,068 Washington Group International, Inc. (NON)

Consumer Staples (0.5%)

2,452 Archibald Candy Corp. (NON)
19,924 Aurora Foods, Inc. (NON)
1,186 Premium Holdings (LP) 144A (NON)
2,502 PSF Group Holdings, Inc. 144A Class A (NON)
1,292,248 VFB LLC

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Energy (--%)

2,319 York Research Corp. 144A (NON)

Financial (--%)

1,005,000 AMRESCO Creditor Trust (NON) (R)
3,390,037 Contifinancial Corp. Liquidating Trust Units

Health Care (--%)

3,074 Alderwoods Group, Inc. (NON)
3,058 Genesis Health Ventures, Inc. (NON)
2,359 Mariner Health Care, Inc. (NON)
1,971 Mediq, Inc. (NON)
1,195 Sun Healthcare Group, Inc. (NON)

Technology (--%)

638 Comdisco Holding Co., Inc.

Utilities (--%)

11,334 Jasper Energy 144A (NON)

Total Common stocks (cost \$27,111,734)

Convertible bonds and notes (0.5%) (a)

Principal amount

\$155,000 AES Corp. (The) cv. sub. notes 4 1/2s, 2005
1,235,000 American Tower Corp. cv. notes 5s, 2010
280,000 Amkor Technologies, Inc. cv. notes 5 3/4s, 2006
325,000 CenterPoint Energy, Inc. 144A cv. sr. notes 3 3/4s, 2023
3,080,000 Cybernet Internet Services International, Inc.
144A cv. sr. disc. notes stepped-coupon zero %
(13s, 8/15/04) 2009 (Denmark) (In default) (NON) (STP)
690,000 DaVita, Inc. cv. sub. notes 7s, 2009
380,000 Kulicke & Soffa Industries, Inc. cv. sub. notes 4 3/4s, 2006
26,000 Millicom International Cellular SA
144A cv. bonds 2s, 2006 (Luxembourg) (PIK)
1,955,000 Nextel Communications, Inc. cv. sr. notes 6s, 2011
150,000 Rogers Communications, Inc. cv. debs. 2s, 2005 (Canada)

Total Convertible bonds and notes (cost \$7,131,339)

Convertible preferred stocks (0.2%) (a)

Number of shares

2,821 Knology, Inc. 144A Ser. D, zero % cv. pfd.
6,800 LTV Corp. 144A \$4.125 cv. pfd. (In default) (NON)
7,495 Omnicare, Inc. \$2.00 cv. pfd.
81 Paxson Communications Corp. 144A 9.75% cv. pfd. (PIK)
9,916 Telex Communications, Inc. zero % cv. pfd. (In default) (NON)
9,530 Williams Cos., Inc. (The) 144A \$2.75 cv. pfd.
1,503 XCL, Ltd. 144A Ser. A, 9.5--% cum. cv. pfd. (In default) (NON) (PIK)

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Total Convertible preferred stocks (cost \$2,020,693)

Units (0.1%) (a)

Number of units

1,654	HMP Equity Holdings Corp. units zero %, 2008
912	XCL Equity units zero %
960	XCL, Ltd. 144A units 13 1/2s, 2004 (In default) (NON)
7,615	XCL, Ltd. 144A units cum. cv. pfd. zero % (In default) (NON) (PIK)

Total Units (cost \$2,525,934)

Warrants (--%) (a) (NON)

Number of warrants

Expirat

Date

1,360	American Tower Corp. Class A	8/1/08
1,420	Dayton Superior Corp. 144A	6/15/09
2,919	Diva Systems Corp. 144A	5/15/06
4	Doe Run Resources Corp. 144A	12/31/11
395	MDP Acquisitions PLC 144A (Ireland)	10/1/13
3,079	Microcell Telecommunications (Canada)	5/1/08
1,847	Microcell Telecommunications (Canada)	5/1/05
550	Mikohn Gaming Corp. 144A	8/15/08
560	ONO Finance PLC 144A (United Kingdom)	2/15/11
570	Pliant Corp. 144A	6/1/10
682	Solutia, Inc. 144A	7/15/09
2,987	Sun Healthcare Group, Inc.	2/28/05
690	Travel Centers of America, Inc. 144A	5/1/09
2,310	Ubiquitel, Inc. 144A	4/15/10
1,650,000	United Mexican States Ser. B (Mexico) (Rights)	6/30/04
1,650,000	United Mexican States Ser. C (Mexico) (Rights)	6/30/05
1,650,000	United Mexican States Ser. D (Mexico) (Rights)	6/30/06
1,650,000	United Mexican States Ser. E (Mexico) (Rights)	6/30/07
50	Versatel Telecom NV (Netherlands)	5/15/08
1,895	Washington Group International, Inc. Ser. A	1/25/06
2,165	Washington Group International, Inc. Ser. B	1/25/06
1,170	Washington Group International, Inc. Ser. C	1/25/06
800	XM Satellite Radio Holdings, Inc. 144A	3/15/10

Total Warrants (cost \$987,703)

Short-term investments (3.4%) (a)

Principal amount

\$30,943,000	Interest in \$513,000,000 joint tri-party repurchase agreement dated July 31, 2003 with UBS Securities, LLC due August 1, 2003 with respect to various U.S. Government obligations -- maturity value of \$30,943,954 for an effective yield of 1.11%
65,249	Short-term investments held as collateral for loaned securities with yields ranging from 0.91% to 1.23% and due dates ranging from August 1, 2003 to September 19, 2003 (d)
1,781,000	U.S. Treasury Bills zero %, November 6, 2003 (SEG)

Total Short-term investments (cost \$32,783,959)

Total Investments (cost \$999,069,587)

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- (a) Percentages indicated are based on net assets of \$952,729,532.
- (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 July 31, 2003 was \$25,763,001 or 2.7% of net assets.
- (PIK) Income may be received in cash or additional securities at the discretion of the issuer.
- (SEG) This security was pledged and segregated with the custodian to cover margin requirements for futures contracts at July 31, 2003.
- (R) Real Estate Investment Trust.
- (d) See Note 1 to the financial statements.

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

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

FLIRB represents Front Loaded Interest Reduction Bond.

The rates shown on Floating Rate Bonds (FRB) and Floating Rate Notes (FRN) are the current interest rates shown at July 31, 2003.

DIVERSIFICATION BY COUNTRY

Distribution of investments by country of issue at July 31, 2003: (as a percentage of Market Value)

Austria	0.7%
Brazil	0.5
Bulgaria	0.6
Canada	3.2
Cayman Islands	0.5
Colombia	0.9
France	1.7
Germany	0.8
Luxembourg	0.6
Malaysia	0.7
Mexico	0.8
New Zealand	1.3
Peru	0.7
Russia	1.5
South Africa	0.5
Sweden	1.3
United Kingdom	2.9
United States	74.4
Venezuela	0.9
Other	5.5

Total	100.0%

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Forward currency contracts to buy at July 31, 2003
(aggregate face value \$92,059,711)

	Market value	Aggregate face value	Delivery date	Unrealized depreciation
Australian Dollars	\$29,173,043	\$29,531,883	9/17/03	\$ (358,840)
British Pounds	13,487,836	13,766,551	9/17/03	(278,715)
Canadian Dollars	9,678,038	9,895,217	9/17/03	(217,179)
Danish Krone	1,393,184	1,469,696	9/17/03	(76,512)
Euro	2,946,988	2,999,977	9/17/03	(52,989)
Japanese Yen	29,667,914	30,158,742	9/17/03	(490,828)
Swiss Francs	598,074	625,524	9/17/03	(27,450)
Taiwan Dollars	3,602,460	3,612,121	9/17/03	(9,661)
				\$ (1,512,174)

Forward currency contracts to sell at July 31, 2003
(aggregate face value \$97,705,074)

	Market value	Aggregate face value	Delivery date	Unrealized appreciation/ (depreciation)
Australian Dollars	\$1,342,898	\$1,406,599	9/17/03	\$63,701
British Pounds	12,609,120	12,800,448	9/17/03	191,328
Canadian Dollars	10,542,071	10,731,868	9/17/03	189,797
Euro	40,415,264	41,197,335	9/17/03	782,071
Japanese Yen	7,090,264	7,161,905	9/17/03	71,641
New Zealand Dollars	12,552,784	12,452,726	9/17/03	(100,058)
Swedish Krona	11,285,620	11,954,193	9/17/03	668,573
				\$1,867,053

Futures contracts outstanding at July 31, 2003

	Market value	Aggregate face value	Expiration date	Unrealized appreciation/ (depreciation)
CBT Interest Rate Swap				
10yr (Long)	\$2,453,094	\$2,769,082	Sep-03	\$ (315,988)
Euro 90 day (Long)	46,011,950	46,272,684	Sep-06	(260,734)
Euro 90 day (Long)	43,988,375	44,348,536	Jun-06	(360,161)
Euro 90 day (Short)	47,382,075	47,558,736	Sep-04	176,661
Euro 90 day (Short)	45,371,250	45,533,381	Jun-04	162,131
Euro Bobl (Long)	21,043,178	21,539,367	Sep-03	(496,189)
Euro Bund (Long)	30,021,169	31,075,704	Sep-03	(1,054,535)
Japanese Government Bond				
10yr-TSE (Long)	7,061,898	7,206,793	Sep-03	(144,895)
Japanese Government Bond				
Mini 10yr-SIMEX (Long)	9,656,024	9,845,681	Sep-03	(189,657)
U.S. Treasury Bond (Long)	47,848,125	53,342,675	Sep-03	(5,494,550)
U.S. Treasury Note 5yr (Short)	37,740,234	39,070,957	Sep-03	1,330,723

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U.S. Treasury Note				
10yr (Long)	26,550,000	27,877,888	Sep-03	(1,327,888)
U.S. Treasury Note				
10yr (Short)	25,775,625	27,385,776	Sep-03	1,610,151

				\$ (6,364,931)

 Credit default contracts outstanding at July 31, 2003
 (premiums received \$115,918)

	Notional amount	Market value

Agreement with Deutsche Bank effective July 17, 2003, maturing on September 20, 2008 to receive a premium equal to 9.795% times the notional amount. Upon a credit default event of Petroleos Mexicanos, 6.125% due 8/15/08 the fund makes a payment of the proportional notional amount times the difference between the par value and the then-market value of Petroleos Mexicanos 6.125%, 2008.	\$585,000	\$59,512

Agreement with Lehman Brothers Special
 Financing, Inc.
 effective July 17,
 2003, maturing on
 September 20,
 2008 to receive a
 premium equal to
 10.02% times the
 notional amount.
 Upon a credit
 default event of
 Petroleos
 Mexicanos, 9.50%
 due 9/15/27 the
 fund makes a
 payment of the
 proportional
 notional amount
 times the
 difference
 between the par
 value and the
 then-market value
 of Petroleos

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Mexicanos 9.50%, 2027.	585,000	59,103
		\$118,615

TBA sale commitments outstanding at July 31, 2003
(proceeds receivable \$10,689,332)

Agency	Principal amount	Settlement date	Market value
FNMA, 5s, August 1, 2033	\$10,099,000	8/13/03	\$9,654,038
GNMA, 5s, August 1, 2033	649,000	8/20/03	622,028
			\$10,276,066

Swap contracts outstanding at July 31, 2003

	Notional amount	Termination date	Unrealized appreciation/ (depreciation)
Agreement with Merrill Lynch Capital Services, Inc. dated November 17, 2000 to pay semi-annually the notional amount multiplied by the three month USD-LIBOR- BBA and receive the notional amount multiplied by 6.68%.	\$9,000,000	11/21/05	\$882,723

Agreement with Merrill Lynch Capital Services, Inc. dated

September 27, 2002 to receive semi-annually the notional amount multiplied by the six month JPY-LIBOR-BBA and pay monthly the notional amount multiplied by 0.399%.	JPY 3,417,000,000	10/1/07	445,708
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Agreement with Goldman Sachs Capital Markets, L.P. dated

February 12, 2003 to receive quarterly the notional amount multiplied by the three month USD-LIBOR-BBA and pay semi-annually the notional

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amount multiplied by 1.59%.	\$54,000,000	2/14/05	(118,800)
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Agreement with Goldman Sachs
Capital Markets,
L.P. dated
February 12, 2003
to pay quarterly
the notional
amount multiplied
by the three
month CAD-BA-CDOR
and receive
semi-annually the
notional amount
multiplied by
3.5076%.

	CAD 82,485,000	2/14/05	(704,739)
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\$504,892

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

Statement of assets and liabilities
July 31, 2003

Assets

Investments in securities, at value, including \$49,338 of securities on loan (identified cost \$999,069,587) (Note 1)	\$973,376,997
Cash	1,847,186
Foreign currency (cost \$2,444,564) (Note 1)	2,356,186
Dividends, interest and other receivables	17,770,290
Receivable for securities sold	18,069,692
Receivable for open swap contracts (Note 1)	1,328,431
Receivable for open forward currency contracts (Note 1)	1,977,536
Receivable for closed forward currency contracts (Note 1)	722,230
Total assets	1,017,448,548

Liabilities

Payable for variation margin (Note 1)	1,200,728
Distributions payable to shareholders	5,497,253
Payable for securities purchased	43,086,158
Payable for compensation of Manager (Note 2)	1,721,315

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Payable for investor servicing and custodian fees (Note 2)	153,256
Payable for compensation of Trustees (Note 2)	81,905
Payable for administrative services (Note 2)	889
Collateral on securities loaned, at value (Note 1)	65,225
Payable for open forward currency contracts (Note 1)	1,622,657
Credit default contracts outstanding, at value (premiums received \$115,918) (Note 1)	118,615
Payable for open swap contracts (Note 1)	823,539
TBA sale commitments, at value (proceeds receivable \$10,689,332) (Note 1)	10,276,066
Other accrued expenses	71,410
Total liabilities	64,719,016
Net assets	\$952,729,532
Represented by	
Paid-in capital (Note 1)	\$1,206,682,449
Undistributed net investment income (Note 1)	11,156,565
Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(234,858,984)
Net unrealized depreciation of investments and assets and liabilities in foreign currencies	(30,250,498)
Total -- Representing net assets applicable to capital shares outstanding	\$952,729,532
Computation of net asset value and offering price	
Net asset value per share (\$952,729,532 divided by 141,198,870 shares)	\$6.75

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

Statement of operations
Year ended July 31, 2003

Investment income:

Interest	\$75,630,882
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Dividends	4,528,808
-----	-----
Securities lending	3,776
-----	-----
Total investment income	80,163,466
Expenses:	
-----	-----
Compensation of Manager (Note 2)	6,446,466
-----	-----
Investor servicing and custodian fees (Note 2)	894,641
-----	-----
Compensation of Trustees (Note 2)	24,557
-----	-----
Administrative services (Note 2)	13,497
-----	-----
Other	376,864
-----	-----
Total expenses	7,756,025
-----	-----
Expense reduction (Note 2)	(46,318)
-----	-----
Net expenses	7,709,707
-----	-----
Net investment income	72,453,759
-----	-----
Net realized loss on investments (Notes 1 and 3)	(15,190,436)
-----	-----
Net realized gain on swap contracts (Note 1)	950,182
-----	-----
Net realized gain on futures contracts (Note 1)	788,006
-----	-----
Net realized gain on foreign currency transactions (Note 1)	1,939,878
-----	-----
Net realized gain on credit default contracts (Note 1)	218,473
-----	-----
Net unrealized appreciation of assets and liabilities in foreign currencies during the year	608,424
-----	-----
Net unrealized appreciation of investments, futures contracts, swap contracts, credit default contracts and TBA sale commitments during the year	84,784,574
-----	-----
Net gain on investments	74,099,101
-----	-----
Net increase in net assets resulting from operations	\$146,552,860
-----	-----

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

Statement of changes in net assets

Increase (decrease) in net assets	Year ended July 2003
-----	-----

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Operations:

Net investment income	\$72,453,759	\$77,4
Net realized loss on investments and foreign currency transactions	(11,293,897)	(55,4
Net unrealized appreciation (depreciation) of investments and assets and liabilities in foreign currencies	85,392,998	(10,3
Net increase in net assets resulting from operations	146,552,860	11,6
Distributions to shareholders: (Note 1)		
From net investment income	(72,810,386)	(74,6
From return of capital	--	(1,4
Increase from issuance of common shares in connection with reinvestment of distributions	1,338,341	
Total increase (decrease) in net assets	75,080,815	(64,4
Net assets		
Beginning of year	877,648,717	942,1
End of year (including undistributed net investment income and distributions in excess of net investment income of \$11,156,565 and 9,613,815, respectively)	\$952,729,532	\$877,6
Number of fund shares		
Shares outstanding at beginning of year	140,989,259	140,9
Shares issued in connection with reinvestment of distributions	209,611	
Shares outstanding at end of year	141,198,870	140,9

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	Year ended July 31				
	2003	2002	2001	2000	1999
Net asset value, beginning of period	\$6.22	\$6.68	\$7.19	\$7.62	\$8.71
Investment operations:					
Net investment income (a)	.51	.55	.61	.63	.64

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Net realized and unrealized gain (loss) on investments	.54	(.47)	(.50)	(.39)	(.99)
Total from investment operations	1.05	.08	.11	.24	(.35)
Less distributions:					
From net investment income	(.52)	(.53)	(.51)	(.67)	(.62)
From net realized gain on investments	--	--	--	--	(.12)
From return of capital	--	(.01)	(.11)	--	--
Total distributions	(.52)	(.54)	(.62)	(.67)	(.74)
Net asset value, end of period	\$6.75	\$6.22	\$6.68	\$7.19	\$7.62
Market price, end of period	\$6.31	\$6.03	\$6.29	\$6.38	\$7.19
Total return at market price (%) (b)	13.41	4.44	8.56	(1.51)	(7.24)
Ratios and supplemental data					
Net assets, end of period (in thousands)	\$952,730	\$877,649	\$942,125	\$1,013,487	\$1,073,980
Ratio of expenses to average net assets (%) (c)	.85	.86	.85	.83	.86
Ratio of net investment income to average net assets (%)	7.91	8.39	8.87	8.48	8.05
Portfolio turnover (%)	96.21(d)	175.78 (d)	231.58	133.80	165.79

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

(b) Total return assumes dividend reinvestment.

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

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

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

Notes to financial statements
July 31, 2003

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Note 1

Significant accounting policies

Putnam Premier Income 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 investment objective is to seek high current income by allocating its investments among the U.S. government sector, the high yield sector and the international sector of the fixed-income securities market.

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

A) Security valuation Investments for which market quotations are readily available are valued at the last reported sales price on their principal exchange, or official closing price for certain markets. If no sales are reported -- as in the case of some securities traded over-the-counter -- a security is valued at its last reported bid price. Market quotations are not considered to be readily available for certain debt obligations; such investments are valued at market 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. For foreign investments, if trading or events occurring in other markets after the close of the principal exchange in which the securities are traded are expected to materially affect the value of the investments, then those investments are valued, taking into consideration these events, at their fair value following procedures approved by the Trustees. 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) Repurchase agreements The fund, or any joint trading account, through its custodian, receives delivery of the underlying securities, the market value of which at the time of purchase is required to be in an amount at least equal to the resale price, including accrued interest. Collateral for certain tri-party repurchase agreements is held at the

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counterparty's custodian in a segregated account for the benefit of the fund and the counterparty. Putnam Management is responsible for determining that the value of these underlying securities is at all times at least equal to the resale price, including accrued interest.

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

Interest income is recorded on the accrual basis. Dividend income is recognized on the ex-dividend. 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.

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

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

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period end are listed after The fund's portfolio.

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

The potential risk to the fund is that the change in value of futures and options contracts may not correspond to the change in value of the hedged instruments. In addition, losses may arise from changes in the value of the underlying instruments, if there is an illiquid secondary market for the contracts, or if the counterparty to the contract is unable to perform. When the contract is closed, the fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. Realized gains and losses on purchased options are included in realized gains and losses on investment securities.

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

H) Total return swap contracts The fund may enter into total return swap contracts, which are arrangements to exchange a market linked return for an interest payment, both based on a notional principal amount. To the extent that the total return of the security or index underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the fund will receive a payment from or make a payment to the counterparty, respectively. Total return swap contracts are marked to market daily based upon quotations from market makers and the change, if any, is recorded as unrealized gain or loss. Payments received or made at the end of the measurement period are recorded as realized gains or losses. The fund could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or in the price of the underlying security or index, the possibility that there is no liquid market for these agreements or that the counterparty may default on its obligation to perform. Total return swap contracts outstanding at period end are listed after The fund's portfolio.

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

J) Credit default contracts The fund may enter into credit default

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

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

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

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

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

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end are listed after The fund's portfolio.

M) 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 July 31, 2003, the value of securities loaned amounted to \$49,338. The fund received cash collateral of \$65,225, which is pooled with collateral of other Putnam funds into 30 issuers of high-grade short-term investments.

N) 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, as amended. Therefore, no provision has been made for federal taxes on income, capital gains or unrealized appreciation on securities held nor for excise tax on income and capital gains.

At July 31, 2003, the fund had a capital loss carryover of \$234,718,499 available to the extent allowed by tax law to offset future net capital gains, if any. The amount of the carryover and the expiration dates are:

Loss Carryover	Expiration
\$39,893,260	July 31, 2007
44,857,570	July 31, 2008
24,930,247	July 31, 2009
44,917,486	July 31, 2010
80,119,936	July 31, 2011

Pursuant to federal income tax regulations applicable to regulated investment companies, the fund has elected to defer to its fiscal year ending July 31, 2004 \$2,541,873 of losses recognized during the period November 1, 2002 to July 31, 2003.

O) 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, post-October loss deferrals, dividends payable, defaulted bond interest, realized and unrealized gains and losses on certain futures contracts, 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 July 31, 2003, the fund reclassified \$21,127,007 to decrease distributions in excess of net investment income and \$123,243 to increase paid-in-capital, with an increase to accumulated net realized losses of \$21,250,250.

The tax basis components of distributable earnings and the federal tax

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cost as of period end were as follows:

Unrealized appreciation	\$52,218,623
Unrealized depreciation	(81,715,125)

Net unrealized depreciation	(29,496,502)
Undistributed ordinary income	21,457,186
Capital loss carryforward	(234,718,499)
Post-October loss	(2,541,873)
Cost for federal income tax purposes	\$1,002,873,499

Note 2

Management fee, administrative
services and other transactions

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

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. Investor servicing agent functions are provided by Putnam Investor Services, a division of PFTC.

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 July 31, 2003, the fund's expenses were reduced by \$46,318 under these arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$1,208 has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees receive additional fees for attendance at certain committee meetings.

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

The fund has adopted an unfunded noncontributory defined benefit pension plan (the "Pension Plan") covering all Trustees of the fund who have served as a Trustee for at least five years. Benefits under the Pension Plan are equal to 50% of the Trustee's average total retainer and meeting fees for the three years preceding retirement. Pension expense for the fund is included in Compensation of Trustees in the Statement of operations. Accrued pension liability is included in Payable for compensation of Trustees in the Statement of assets and liabilities.

Note 3

Purchases and sales of securities

During the year ended July 31, 2003, cost of purchases and proceeds from

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sales of investment securities other than U.S. government obligations and short-term investments aggregated \$397,201,340 and \$383,807,567, respectively. Purchases and sales of U.S. government obligations aggregated \$594,058,519 and \$610,912,132, respectively.

Federal tax information (Unaudited)

The fund has designated 4.18% of the distributions from net investment income as qualifying for the dividends received deduction for corporations.

For its tax year ended July 31, 2003, the fund hereby designates 1.92%, 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 2004 will show the tax status of all distributions paid to your account in calendar 2003.

Results of June 12, 2003 shareholder meeting (Unaudited)

An annual meeting of shareholders of the fund was held on June 12, 2003. At the meeting, each of the nominees for Trustees was elected, as follows:

	Votes for	Votes withheld
Jameson Adkins Baxter	129,842,715	2,493,906
Charles B. Curtis	129,864,407	2,472,214
John A. Hill	129,885,192	2,451,429
Ronald J. Jackson	129,943,400	2,393,221
Paul L. Joskow	129,910,820	2,425,801
Elizabeth T. Kennan	129,841,038	2,495,583
Lawrence J. Lasser	129,892,082	2,444,539
John H. Mullin, III	129,867,947	2,468,674
Robert E. Patterson	129,921,601	2,415,020
George Putnam, III	129,895,032	2,441,589
A.J.C. Smith	129,979,420	2,357,201
W. Thomas Stephens	129,968,839	2,367,782
W. Nicholas Thorndike	129,779,344	2,557,277

All tabulations are rounded to nearest whole number.

About the Trustees

Jameson A. Baxter (9/6/43), Trustee since 1994
President, Baxter Associates, Inc. (a consulting and private investments firm)

Director of ASHTA Chemicals, Inc., Banta Corporation (a printing and digital imaging firm), Ryerson Tull, Inc. (a steel service corporation), Advocate Health Care, and the National Center for Nonprofit Boards. Chairman Emeritus of the Board of Trustees, Mount Holyoke College. Until 2002, Mrs. Baxter was a director of Intermatic Corporation, a manufacturer of energy control products. Also held various positions in investment banking and corporate finance, including Vice President and principal of the Regency Group and Vice President and consultant to First Boston Corp.

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Charles B. Curtis (4/27/40), Trustee since 2001
President and Chief Operating Officer, Nuclear Threat Initiative (a private foundation dealing with national security issues), also serves as Senior Advisor to the United Nations Foundation

Member of the Council on Foreign Relations and the Trustee Advisory Council of the Applied Physics Laboratory at Johns Hopkins University. Until 2003, Mr. Curtis was a member of the Electric Power Research Institute Advisory Council, and the University of Chicago Board of Governors for Argonne National Laboratory. Prior to 2002, Mr. Curtis was a member of the Board of Directors of the Gas Technology Institute and the Board of Directors of the Environment and Natural Resources Program Steering Committee, John F. Kennedy School of Government, Harvard University. Until 2001, Mr. Curtis was a Member of the Department of Defense's Policy Board and Director of EG&G Technical Services, Inc. (fossil energy research and development support). Prior to May 1997, Mr. Curtis was Deputy Secretary of Energy. He served as Chairman of the Federal Energy Regulatory Commission from 1977 to 1987 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. Mr. Curtis is also a lawyer with over 15 years of experience.

John A. Hill (1/31/42), Trustee since 1985 and Chairman since 2000
Vice-Chairman and Managing Director, First Reserve Corporation (a registered investment advisor investing in companies in the world-wide energy industry on behalf of institutional investors)

Director of Devon Energy Corporation (formerly known as Snyder Oil Corporation), TransMontaigne Oil Company, Continuum Health Partners of New York, Sarah Lawrence College, and various private companies owned by First Reserve Corporation. Trustee of TH Lee, Putnam Investment Trust (a closed-end investment company). Prior to acquiring First Reserve in 1983, Mr. Hill held executive positions with several advisory firms and various positions with the federal government, including Associate Director of the Office of Management and Budget and Deputy Director of the Federal Energy Administration.

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

Former Chairman, President, and Chief Executive Officer of Fisher-Price, Inc. (a toy manufacturer). Previously served as President and Chief Executive Officer of Stride-Rite, Inc. and Kenner Parker Toys. Also held financial and marketing positions with General Mills, Parker Brothers, and Talbots. President of the Kathleen and Ronald J. Jackson Foundation (charitable trust). Member of the Board of Overseers of WGBH (public television and radio). Member of the Board of Overseers of the Peabody Essex Museum.

Paul L. Joskow (6/30/47), Trustee since 1997
Elizabeth and James Killian Professor of Economics and Management and Director of the Center for Energy and Environmental Policy Research, Massachusetts Institute of Technology

Director, National Grid Transco (formerly National Grid Group, a UK-based holding company with interests in electric and gas transmission and distribution and telecommunications infrastructure), and the Whitehead Institute for Biomedical Research (a non-profit research institution). President of the Yale University Council. Prior to February 2002, March 2000, and September 1998, Dr. Joskow was a Director of State Farm Indemnity Company (an automobile insurance company),

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Director of New England Electric System (a public utility holding company) and a consultant to National Economic Research Associates, respectively.

Elizabeth T. Kennan (2/25/38), Trustee since 1992
Chairman, Cambus-Kenneth Bloodstock (a limited liability company involved in thoroughbred horse breeding and farming), President Emeritus of Mount Holyoke College

Director, Northeast Utilities, and Talbots (a distributor of women's apparel). Trustee of Centre College. Prior to 2001, Dr. Kennan was a member of the Oversight Committee of Folger Shakespeare Library. Prior to September 2000, June 2000, and November 1999, Dr. Kennan was a Director of Chastain Real Estate, Bell Atlantic, and Kentucky Home Life Insurance, respectively. Prior to 1995, Dr. Kennan was a Trustee of Notre Dame University. For 12 years, she was on the faculty of Catholic University.

John H. Mullin, III (6/15/41), Trustee since 1997
Chairman and CEO of Ridgeway Farm (a limited liability company engaged in timber and farming)

Director Alex. Brown Realty, Inc., Sonoco Products, Inc. (a packaging company), The Liberty Corporation (a company engaged in the broadcasting industry), and Progress Energy, Inc. (a utility company, formerly known as Carolina Power & Light). Trustee Emeritus of Washington & Lee University. Prior to October 1997, January 1998, and May 2001, Mr. Mullin was a Director of Dillon, Read & Co. Inc., The Ryland Group, Inc., and Graphic Packaging International Corp., respectively.

Robert E. Patterson (3/15/45), Trustee since 1984
Senior Partner of Cabot Properties, L.P. and Chairman of Cabot Properties, Inc.

Chairman of the Joslin Diabetes Center, Trustee of SEA Education Association, and Director of Brandywine Trust Company (a trust company). Prior to February 1998, Mr. Patterson was Executive Vice President and Director of Acquisitions of Cabot Partners Limited Partnership. Prior to December 2001, Mr. Patterson was President and Trustee of Cabot Industrial Trust (publicly traded real estate investment trust). Prior to 1990, Mr. Patterson was Executive Vice President of Cabot, Cabot & Forbes Realty Advisors, the predecessor of Cabot Partners, and prior to that was Senior Vice President of the Beal Companies.

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

Director of Xcel Energy Incorporated (public utility company), TransCanada Pipelines, Norske Canada, Inc. (paper manufacturer), and Qwest Communications (communications company). Until 2003, Mr. Stephens was a Director of Mail-Well, a printing and envelope company. Prior to July 2001 and October 1999, Mr. Stephens was Chairman of Mail-Well and MacMillan-Bloedel (forest products company). Prior to 1996, Mr. Stephens was Chairman and Chief Executive Officer of Johns Manville.

W. Nicholas Thorndike (3/28/33), Trustee since 1992
Director of various corporations and charitable organizations, including Courier Corporation (a book manufacturer and publisher) and Providence Journal Co. (a newspaper publisher)

Trustee of Northeastern University and Honorary Trustee of Massachusetts General Hospital. Prior to September 2000, April 2000, and December

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2001, Mr. Thorndike was a Director of Bradley Real Estate, Inc., a Trustee of Eastern Utilities Associates, and a Trustee of Cabot Industrial Trust, respectively. Previously served as Chairman of the Board and managing partner of Wellington Management/Thorndike Doran Paine & Lewis, and Chairman and Director of Ivest Fund.

Lawrence J. Lasser* (11/1/42), Trustee since 1992
President and Chief Executive Officer of Putnam Investments and Putnam Management and Vice President since 1981

Director of Marsh & McLennan Companies, Inc. and the United Way of Massachusetts Bay. Member of the Board of Governors of the Investment Company Institute, Trustee of the Museum of Fine Arts, Boston, a Trustee and Member of the Finance and Executive Committees of Beth Israel Deaconess Medical Center, Boston, and a Member of the CareGroup Board of Managers Investment Committee, the Council on Foreign Relations, and the Commercial Club of Boston.

George Putnam, III* (8/10/51), Trustee since 1984 and President since 2000 President, New Generation Research, Inc. (a publisher of financial advisory and other research services relating to bankrupt and distressed companies) and New Generation Advisers, Inc. (a registered investment adviser)

Director of The Boston Family Office, L.L.C. (registered investment advisor), Trustee of St. Mark's School, and Trustee of Shore Country Day School. Until 2002, Mr. Putnam was a Trustee of the SEA Education Association. Previously, Mr. Putnam was an attorney with the firm of Dechert Price & Rhoads.

A.J.C. Smith* (4/13/34), Trustee since 1986
Director of Marsh & McLennan Companies, Inc.

Director of Trident Corp. (a limited partnership with over 30 institutional investors). Trustee of the Carnegie Hall Society, the Educational Broadcasting Corporation and the National Museums of Scotland. Chairman of the Central Park Conservancy. Member of the Board of Overseers of the Joan and Sanford I. Weill Graduate School of Medical Sciences of Cornell University. Fellow of the Faculty of Actuaries in Edinburgh, the Canadian Institute of Actuaries, and the Conference of Actuaries. Associate of the Society of Actuaries. Member of the American Actuaries, the International Actuarial Association and the International Association of Consulting Actuaries. 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 July 31, 2003, there were 104 Putnam Funds.

Each Trustee serves for an indefinite term, until his or her resignation, 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, Lasser 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. Lawrence J. Lasser is the President and Chief Executive

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Officer of Putnam Investments and Putnam Management. Mr. Lasser and Mr. Smith serve as Directors of Marsh & McLennan Companies, Inc.

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, Treasurer and
Principal Financial Officer
Since 1989

Managing Director, Putnam Investments
and Putnam Management

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

Senior Vice President, Putnam Investments and
Putnam Management

Karnig H. Durgarian (1/13/56)
Vice President and Principal Executive Officer
Since 2002

Senior Managing Director, Putnam Investments

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

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

Gordon H. Silver (7/3/47)
Vice President
Since 1990

Senior Managing Director, Putnam Investments,
Putnam Management and Putnam Retail
Management

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

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Senior Vice President, Putnam Investments

William H. Woolverton (1/17/51)
Vice President and Chief Legal Officer
Since 2003

Managing Director, Putnam Investments,
Putnam Management and Putnam Retail
Management

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 Auditors

KPMG LLP

Trustees

John A. Hill, Chairman

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Jameson Adkins Baxter
Charles B. Curtis
Ronald J. Jackson
Paul L. Joskow
Elizabeth T. Kennan
Lawrence J. Lasser
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, Treasurer and
Principal Financial Officer

Patricia C. Flaherty
Senior Vice President

Karnig H. Durgarian
Vice President and Principal Executive Officer

Steven D. Krichmar
Vice President and Principal Financial Officer

Michael T. Healy
Assistant Treasurer and Principal Accounting Officer

Beth S. Mazor
Vice President

Gordon H. Silver
Vice President

Mark C. Trenchard
Vice President and BSA Compliance Officer

William H. Woolverton
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
visit our Web site (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:

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.

Item 4. Principal Accountant Fees and Services:

Not applicable

Items 5-6. [Reserved]

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

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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 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 -----

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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.

- * 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

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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 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

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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

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 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

Shareholders may be confronted with a number of different types of

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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

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 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

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.

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* 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

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 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

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

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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 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

The Role of the Funds' Trustees

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

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The Role of the Proxy Voting Service

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

The Role of the Proxy Coordinator

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

Voting Procedures for Referral Items

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

For proxy questions that require a case-by-case analysis pursuant to the guidelines or that are not covered by the guidelines but involve investment considerations, the Proxy Coordinator will refer such questions, through a written request, to Putnam Management's investment professionals for a voting recommendation. Such referrals will be made in cooperation with the person or persons designated by Putnam Management's Legal and Compliance Department to assist in processing such referral items. In connection with each such referral item, the Legal and Compliance Department will conduct a conflicts of interest review, as described below under "Conflicts of Interest," and provide a conflicts of interest report (the "Conflicts Report") to the Proxy Coordinator describing the results of such review. After receiving a referral item from the Proxy Coordinator, Putnam Management's investment professionals will provide a written recommendation to the Proxy Coordinator and the person or persons designated by the Legal and Compliance Department to assist in processing referral items. Such recommendation will set forth (1) how the proxies should be voted, (2)

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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

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

As adopted March 14, 2003

Item 8. [Reserved]

Item 9. Controls and Procedures:

(a) The registrant's principal executive officer and principal financial officers 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 effective to provide reasonable assurance that information required to be disclosed by the investment company in the reports that it files or

