

PUTNAM MUNICIPAL OPPORTUNITIES TRUST

Form N-CSR

December 23, 2003

Putnam  
Municipal  
Opportunities  
Trust

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

SEMIANNUAL REPORT ON PERFORMANCE AND OUTLOOK

10-31-03

[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:

You may have read recent press coverage regarding investigations involving Putnam Investments. Last month all Putnam shareholders were sent a letter detailing the steps being taken by Putnam to address the issues raised by federal and state regulators. Since then, a number of remedial actions, some of which were discussed in last month's letter, are being instituted under the terms of an order from the Securities and Exchange Commission (SEC). These include stringent employee trading restrictions, enhanced compliance standards and systems, new redemption fees for certain fund shares held less than three months, and a process for making full monetary restitution for any losses to fund shareholders. This process will be directed by an independent third party approved by the SEC and by Putnam's Board of Trustees.

The Board is also continuing its own independent investigation of these issues and when complete a report will be issued detailing the additional steps being taken to make sure that nothing like this happens at Putnam again. We believe that the new senior management team at Putnam is fully committed to re-establishing the firm as a model for the highest ethical standards in the mutual fund industry. Our Board is committed to working with Putnam's management to ensure that everything possible is done to restore your full confidence in the Putnam organization.

In terms of Putnam Municipal Opportunities Trust's performance, we are pleased to report positive results for the six months ended October 31, 2003. In addition, your fund outperformed both its benchmark and its Lipper category average at net asset value. The details are shown on the facing page. In their report, your fund's managers cite the portfolio's small allocation to higher-yielding, lower-rated issues and defensive

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positioning as positive factors during the period. They also offer their views on prospects for the fiscal year's second half.

Respectfully yours,

/S/ JOHN A. HILL

/S/ GEORGE PUTNAM, III

John A. Hill  
Chairman of the Trustees

George Putnam, III  
President of the Funds

December 17, 2003

Report from Fund Management

Fund highlights

- \* Putnam Municipal Opportunities Trust's total return for the six months ended October 31, 2003, was 3.50% at net asset value (NAV) and 5.82% at market price.
- \* The fund's return at NAV was significantly ahead of the Lehman Municipal Bond Index, which returned 1.47% for the six-month period, in large part reflecting price recovery in the fund's airline-related industrial development bonds (IDBs).
- \* These IDB holdings and the fund's duration strategies also helped it exceed (at NAV) the average for the Lipper Closed-End General Municipal Debt Funds (Leveraged) category, which was 2.68% for the period.
- \* See the Performance Summary beginning on page 8 for complete fund performance, comparative performance, and Lipper data.

Performance commentary

Improving economic numbers and an environment of relative optimism this spring made income-oriented investors more willing to accept the risks associated with lower-quality, high-yield bonds. Consequently, for the first time in many months, investment-grade and high-yield securities began to outperform Treasuries. Nonetheless, the past six months were volatile. The fund's positive results primarily reflect strong price appreciation from its airline-related industrial development bonds (IDBs), as discussed on page 4.

Adjustments we made to the fund's duration -- a measure of interest-rate sensitivity -- also helped performance during the period. By shifting the portfolio into a shorter, more defensive duration, we were able to protect the portfolio's value early in the summer and again in October, when rising interest rates depressed bond prices.

FUND PROFILE

The fund seeks to provide high current income free from federal income tax, consistent with the preservation of capital, by investing in investment-grade and some below-investment-grade municipal bonds. The fund may be appropriate for investors seeking tax-free income and who are willing to accept a moderate degree of risk.

However, generally rising stock prices took center stage during the past six months, while lower tax rates reduced the attractiveness of tax-exempt securities. Investor attention became more focused on equities. We believe this may help explain the fact that returns at

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market price lagged the fund's results at net asset value, despite the overall demand for high-yield securities during the period.

### Market overview

Municipal bond yields -- which move in the opposite direction of their prices -- were unusually volatile between May 1 and October 31, 2003. Concern about deflation led to falling yields and higher bond prices through mid June. After rising through August, yields receded again in September, on unfavorable housing and unemployment data. October's positive economic surprises sent yields back up. Overall, yields ended the semiannual period higher.

The spread, or difference between yields of 10-year municipal bonds and 10-year Treasuries, widened, with municipals yielding close to their long-term average of 85% of comparable Treasury yields at the end of October, after yielding nearly 100% of Treasury yields earlier in the year. Investor demand for higher-yielding municipals increased. As the economy improved, airline-related industrial development bonds outperformed other municipal bonds. California general obligation bonds were downgraded and underperformed as the state's budget crisis worsened. Tobacco settlement bonds outperformed following the Illinois Supreme Court's favorable ruling on one of the industry's ongoing litigation matters.

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### MARKET SECTOR PERFORMANCE 6 MONTHS ENDED 10/31/03

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#### Bonds

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Lehman Municipal Bond Index (tax-exempt bonds)	1.47%
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Lehman Aggregate Bond Index (broad bond market)	0.57%
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Lehman Government Bond Index (U.S. Treasury and agency securities)	-0.19%
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JP Morgan Global High Yield Index (global high-yield corporate bonds)	9.61%
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#### Equities

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S&P 500 Index (broad stock market)	15.62%
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Russell 1000 Growth Index (large-company growth stocks)	16.81%
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Russell 1000 Value Index (large-company value stocks)	16.74%
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These indexes provide an overview of performance in different market sectors for the six months ended 10/31/03.

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### Strategy overview

We shortened duration (a measure of a fund's sensitivity to changes in interest rates) in May because interest rates were at historically low levels and were more likely, in our opinion, to rise than to fall. This defensive strategy helped protect portfolio assets when rates rose sharply between mid June and the end of July. We resumed a neutral duration in August and September, as we believed rates were unlikely to rise further. In September, rates fell again, so we shortened duration

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somewhat. This was beneficial when rates rose in October. At the end of the period, the portfolio's duration remained slightly defensive.

We continued to diversify the fund's holdings, capitalizing on the opportunity afforded by strong demand for higher-yielding municipal bonds to take profits and reduce positions in some of the fund's lower-quality holdings, particularly airline-related industrial development bonds (IDBs).

Although we had previously reduced the fund's holdings in tobacco settlement bonds -- bonds secured by the income stream from tobacco companies' settlement obligations to the states -- Putnam's bond analyst for this sector has offered support for a more positive view of the industry. Recently, numerous court cases have been decided in the industry's favor and we believe these decisions have reduced, somewhat, the perceived risk of unfavorable rulings that could affect the stability of the bonds' income stream. Accordingly, the fund has purchased more tobacco settlement bonds, and brought the weighting to neutral (i.e., roughly the same percentage), in comparison to the fund's benchmark.

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

### TOP SECTOR WEIGHTINGS COMPARED

	as of 4/30/03	as of 10/31/03
Health care	18.5%	19.9%
Utilities	15.9%	16.5%
Housing	9.3%	8.8%
Water and sewer	7.2%	8.8%
Transportation	8.1%	8.1%

### Footnote reads:

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

### How fund holdings and sector allocations affected performance

Many of the fund's top performers during the period were airline-related industrial development bonds (IDBs). These municipal bonds are usually issued to finance local expansion by various businesses and are backed by revenues from the companies benefiting from the financing. As a result, IDB prices are affected by investor perceptions of the health of the backing company or of the industry group. Especially since the terrorist attacks of September 11, 2001, airline-backed IDBs (generally issued to finance airport facility expansion) have been negatively affected by declining air traffic, high fixed costs, and high-profile bankruptcies. As the prospects for economic recovery have improved, the airline market has strengthened and concerns about bankruptcies have diminished. The result has been a sharp price recovery for these bonds, and we used this opportunity to trim the fund's airline IDBs, including airport facility improvement bonds in Illinois, Kentucky, Minnesota and Texas for United Airlines, Delta Airlines, Northwest Airlines, and American Airlines, respectively. Since all of them have been in the

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portfolio for some time, none of the sales resulted in a profit based on their acquisition cost, but the fund was able to sell on strength rather than in distress.

The airline business is one of many industries that have been recovering with the economy. One of the fund's larger holdings, Pocahontas Parkway Association Toll Road Revenue Bonds, rose in value as traffic (and tolls) picked up. We purchased \$1.5 million of these bonds when they were issued in 2000, with a coupon of 5.5% and a maturity date in 2028. The Pocahontas Parkway, which opened in October of 2002, provides improved access to the Richmond International Airport and includes the only bridge crossing the James River for 15 miles. The price of the bonds fell as traffic fell short of projections and investors became concerned about the issuer's ability to service debt. However, road traffic has picked up in the past six months and tolls are closing in on projected levels. Although traffic will need to increase further in order to support the bond payments, and the bonds are still trading at a discount, the outlook for the project has improved and we are cautiously optimistic.

[GRAPHIC OMITTED: pie chart CREDIT QUALITY OVERVIEW]

### CREDIT QUALITY OVERVIEW

Aaa/AAA (46.9%)

Aa/AA (5.7%)

A (17.4%)

Baa/BBB (18.3%)

Ba/BB (5.6%)

B (2.8%)

VMIG1/A-1+ (2.7%)

Other (0.6%)

### Footnote reads:

As a percentage of market value as of 10/31/03. A bond rated Baa or higher is considered investment grade. The chart reflects Moody's and Standard & Poor's ratings; percentages may include unrated bonds considered by Putnam Management to be of comparable quality. Ratings will vary over time.

As part of our efforts to maintain broad diversification, we recently added some tobacco settlement bonds after a series of favorable court rulings made this sector more attractive again. These bonds are issued by municipalities and secured by settlements from class-action lawsuits against the tobacco industry. The fund had a modest exposure to tobacco bonds last year, reflecting our concern about possible weakness in tobacco companies' revenues. We trimmed the fund's holdings in March, when several court cases threatened to go against the tobacco companies, but a series of recent rulings have been more favorable. Since these bonds have attractive coupons and provide a sector diversification that is part of our overall strategy, we recently added \$2.6 million in Badger Tobacco Asset Securitization bonds issued in Wisconsin. They have a coupon of 7%, mature in 2028, and are rated Baa2 by Moody's.

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Also as part of our diversification program, in the past six months we have been trimming some of the largest positions, while capitalizing on increased demand for higher-yielding municipal bonds. For example, the fund had a \$4 million position in Johnson City, Tennessee Health and Educational Facilities for Mountain States Health, the primary hospital system in Tennessee. The bonds were issued with a coupon of 7.5%, mature in 2033, and are rated Baa2 by Moody's. We trimmed back on this large holding and used the proceeds to diversify into comparable issues in other states. Specifically, we purchased \$1.25 million in bonds issued by South Carolina Economic Development Authority Hospital Facilities for Palmetto Health Alliance. Palmetto has a capable management team and a dominant market share in Columbia, South Carolina and the surrounding region. The new bonds will refund Palmetto's existing bond debt and fund construction of a 123-bed heart hospital. The securities we purchased have a coupon of 6%, mature in 2020, and are rated Baa2 by Moody's.

Although the past several months have been positive for the bond market as a whole -- especially higher-yielding municipal bonds -- not everything has gone up. One example is Atlas Boston Tax Exempt Revenue Bonds, a tax-exempt collateralized mortgage obligation (CMO). CMOs are mortgage-backed securities composed of several classes of bonds, each with its own risk characteristics and maturity, all backed by the same mortgage collateral. In 1999, we bought the Atlas Boston bonds, which had a coupon of 6.65% and a maturity date in 2035. The proceeds were supposed to be spread over a wide variety of projects, but only two multi-family housing projects were funded. Both projects had physical problems requiring extensive repairs, and these resulted in cash-flow shortages that prevented the issuer from being able to service its debt. Over the past 12 months, we have sold approximately two thirds of the original position, and we are currently negotiating the sale of the remaining bonds.

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.

The fund's management team

The fund is managed by the Putnam Tax Exempt Fixed-Income Team. Members of the team are David Hamlin (Portfolio Leader), Paul Drury (Portfolio Member), Susan McCormack (Portfolio Member), James St. John (Portfolio Member), Richard Wyke (Portfolio Member), and Kevin Cronin.

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.

We anticipate continued volatility in the coming six months, and we believe the Federal Reserve Board will hold the federal funds rate steady at 1%. Our 12- to 18-month outlook is less certain. If economic policy succeeds, we may experience a classic bear market for bonds that may push yields higher. However, it is also possible that the economy may not respond satisfactorily to fiscal and monetary policy, and the yield on 10-year Treasuries could fall. Given this degree of uncertainty, we have, at this time, positioned the fund's duration somewhat defensively, and we believe rates may rise in the short term. Currently, we no longer see much opportunity to capitalize on yield spreads between municipal bonds and Treasuries, as the relationship between them is now near the long-term average. We expect that the

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credit quality of general obligation municipal bonds will remain under pressure, because tax revenues cannot be expected to grow significantly until taxpayers begin to report improved earnings. Although yield spreads between high- and low-quality municipal bonds have narrowed somewhat, we believe they could narrow further. As a result, we may see more opportunity for potential gain in this area. In keeping with the fund's objective, we will continue to monitor market conditions as we pursue a high level of tax-free income and manage the fund's risk exposures.

The views expressed in this report are exclusively those of Putnam Management. They are not meant as investment advice.

### Performance summary

This section provides information about your fund's performance during the first half of its fiscal year, which ended October 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.

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#### TOTAL RETURN FOR PERIODS ENDED 10/31/03

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	NAV	Market price	Lehman Municipal Bond Index	Lipper Closed-End General Municipal Debt Funds (Leveraged) category average*
6 months	3.50%	5.82%	1.47%	2.68%
1 year	9.50	12.96	5.12	8.08
5 years	29.06	17.42	31.08	31.12
Annual average	5.24	3.26	5.56	5.56
10 years	79.18	80.35	78.34	78.21
Annual average	6.01	6.07	5.96	5.94
Annual average Life of fund (since 5/28/93)	6.37	5.55	6.24	6.34

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Performance does not reflect taxes on reinvested distributions.

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

\* Over the 6-month and 1-, 5-, and 10-year periods ended 10/31/03, there were 64, 62, 48, and 45 funds, respectively, in this Lipper category.

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TOTAL RETURN FOR PERIODS ENDED 9/30/03 (MOST RECENT CALENDAR QUARTER)

	NAV	Market price
6 months	5.36%	10.22%
1 year	6.42	6.32
5 years	28.71	21.56
Annual average	5.18	3.98
10 years	80.06	83.03
Annual average	6.06	6.23
Annual average Life of fund (since 5/28/93)	6.46	5.69

PRICE AND DISTRIBUTION INFORMATION 6 MONTHS ENDED 10/31/03

Putnam Municipal Opportunities Trust

Distributions from common shares

Number	6
Income	\$0.477
Capital gains 1	--
Total	\$0.477

Distributions from preferred shares

	Series A (800 shares)	Series B (1,620 shares)	Series C (1,620 shares)
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Income	\$245.14	\$117.70	\$122.80
Capital gains 1	--	--	--
Total	\$245.14	\$117.70	\$122.80

Share value (common shares)	NAV	Market price
4/30/03	\$12.98	\$12.48
10/31/03	12.95	12.73

Current return (common shares, end of period)

Current dividend rate 2	7.37%	7.49%
Taxable equivalent 3	11.34	11.52

1 Capital gains, if any, are taxable for federal and, in most cases, state purposes. For some investors, investment income may be subject to



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the federal alternative minimum tax. Income from federally exempt funds may be subject to state and local taxes.

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

3 Assumes maximum 35% federal tax rate for 2003. Results for investors subject to lower tax rates would not be as advantageous.

### 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 and the net assets allocated to remarketed preferred shares 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

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

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

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

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

Russell 1000 Growth Index is an unmanaged index of those companies in the Russell 1000 chosen for their growth orientation.

Russell 1000 Value Index is an unmanaged index of those companies in the Russell 1000 chosen for their value orientation.

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

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

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

### A note about duplicate mailings

In response to investors' requests, the SEC has modified mailing regulations for proxy statements, semiannual and annual reports, and prospectuses. Putnam is now able to send a single copy of these

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materials to customers who share the same address. This change will automatically apply to all shareholders except those who notify us. If you would prefer to receive your own copy, please call Putnam at 1-800-225-1581.

A guide to the financial statements

These sections of the report, as well as the accompanying Notes, 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 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 period.

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.

The fund's portfolio  
October 31, 2003 (Unaudited)

### Key to Abbreviations

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AMBAC	AMBAC Indemnity Corporation
COP	Certificate of Participation
FGIC	Financial Guaranty Insurance Company
FHA Insd.	Federal Housing Administration Insured
FNMA Coll.	Federal National Mortgage Association Collateralized
FSA	Financial Security Assurance

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GNMA Coll.	Government National Mortgage Association Collateralized
G.O. Bonds	General Obligation Bonds
IFB	Inverse Floating Rate Bonds
IF COP	Inverse Floating Rate Certificate of Participation
MBIA	MBIA Insurance Company
PSFG	Permanent School Fund Guaranteed
U.S. Govt. Coll.	U.S. Government Collateralized
VRDN	Variable Rate Demand Notes

### Municipal bonds and notes (100.0%) (a)

Principal amount	Rating (RAT)	Value
<b>Alabama (3.4%)</b>		
-----		
\$1,500,000	Butler, Indl. Dev. Board Rev. Bonds (Solid Waste Disp. James River Corp.), 8s, 9/1/28	\$1,505,625
	Jefferson Cnty., Swr. Rev. Bonds	
7,000,000	Ser. D, FGIC, 5 3/4s, 2/1/27	7,901,250
1,175,000	(Cap. Impt.), Ser. A, FGIC, 5s, 2/1/41 (U.S. Govt. Coll.)	1,318,938
325,000	(Cap. Impt.), Ser. A, FGIC, 5s, 2/1/41	364,813
		-----
		11,090,626
<b>Arizona (3.3%)</b>		
-----		
750,000	AZ Hlth. Fac. Auth. Hosp. Syst. Rev. Bonds (John C. Lincoln Hlth. Network), 6 3/8s, 12/1/37	766,875
950,000	Casa Grande, Indl. Dev. Auth. Rev. Bonds (Casa Grande Regl. Med. Ctr.), Ser. A, 7 5/8s, 12/1/29	978,500
490,000	Cochise Cnty., Indl. Dev. Auth. Rev. Bonds (Sierra Vista Cmnty. Hosp.), Ser. A, 6 3/4s, 12/1/26	496,738
4,000,000	Mesa, Util. Syst. Rev. Bonds, FGIC 5 1/4s, 7/1/16	4,520,000
1,530,000	5 1/4s, 7/1/15	1,725,075
2,300,000	Scottsdale, Indl. Dev. Auth. Rev. Bonds (Westminster Village), 7 7/8s, 6/1/09	2,409,250
		-----
		10,896,438
<b>Arkansas (1.4%)</b>		
-----		
3,300,000	AR Dev. Fin. Auth. Rev. Bonds, Ser. D, GNMA/FNMA Coll., 3s, 1/1/24	3,341,250
1,000,000	Northwest Regl. Arpt. Auth. Rev. Bonds, 7 5/8s, 2/1/27	1,087,500
		-----
		4,428,750
<b>California (10.4%)</b>		
-----		
2,000,000	CA State Dept. of Wtr. Resources Rev. Bonds, Ser. A, 6s, 5/1/15	2,235,000
2,000,000	CA State Dept. of Wtr. Resources Pwr. Supply Pwr. Supply Rev. Bonds, Ser. A, AMBAC, 5 1/2s, 5/1/16	2,195,000

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1,750,000	CA Statewide Cmnty. Dev. Auth. COP (The Internext Group), 5 3/8s, 4/1/30	BBB-	1,610,000
4,000,000	Chula Vista COP, MBIA, 5s, 8/1/32	Aaa	4,025,000
1,475,000	Gilroy, Rev. Bonds (Bonfante Gardens Park), 8s, 11/1/25	B/P	1,209,500
3,000,000	Metropolitan Wtr. Dist. IFB (Southern CA Waterworks), 10.242s, 8/10/18	Aa2	3,971,250
5,000,000	San Bernardino Cnty., COP (Med. Ctr. Fin.), Ser. A, MBIA, 6 1/2s, 8/1/17 San Diego Cnty., IF COP, AMBAC	Aaa	6,193,750
3,000,000	10.02s, 9/1/12	Aaa	3,881,250
3,000,000	9.77s, 9/1/07	Aaa	3,798,750
2,500,000	San Jose, Redev. Agcy. Tax Alloc. Bonds (Merged Area Redev. Project), MBIA, 5s, 8/1/32	Aaa	2,512,500
3,000,000	Santa Rosa, Waste Wtr. Rev. Bonds (Cap. Appn.), Ser. B, AMBAC, zero %, 9/1/23	AAA	1,050,000
830,000	Sunnyvale, Cmnty. Fac. Dist. Special Tax Rev. Bonds, 7.65s, 8/1/21	BB-/P	823,775
			----- 33,505,775
 Colorado (3.7%)			
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7,700,000	CO Pub. Hwy. Auth. Rev. Bonds, MBIA, zero %, 9/1/33	Aaa	1,482,250
10,000,000	Denver, City & Cnty. Arpt. Rev. Bonds, Ser. A, MBIA, 5.7s, 11/15/25	Aaa	10,550,000
			----- 12,032,250
 District of Columbia (4.4%)			
-----			
12,450,000	DC G.O. Bonds, Ser. A, 6s, 6/1/26	A-	14,426,438
 Florida (2.1%)			
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1,750,000	Escambia Cnty., Poll. Control Rev. Bonds (Champion Intl. Corp.), 6.9s, 8/1/22	Baa2	1,823,973
1,000,000	Lee Cnty., Incl. Dev. Auth. Rev. Bonds (Alliance Cmnty. Project), Ser. C, 5 1/2s, 11/15/29	BBB-	928,750
600,000	Miami Beach, Hlth. Fac. Auth. Hosp. Rev. Bonds (Mount Sinai Med. Ctr.), Ser. A, 6.8s, 11/15/31	BB	589,500
3,000,000	Tampa Bay Wtr. Util. Syst. Rev. Bonds, FGIC, 6s, 10/1/29	Aaa	3,536,250
			----- 6,878,473
 Georgia (3.8%)			
-----			
3,000,000	Atlanta, Arpt. Rev. Bonds, Ser. B, FGIC, 5 5/8s, 1/1/30	Aaa	3,135,000
2,800,000	Atlanta, Waste Wtr. VRDN, Ser. C, FSA, 1.15s, 11/1/41	VMIG1	2,800,000

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1,500,000	Burke Cnty., Poll. Control Dev. Auth. Mandatory Put Bonds (GA Power Co.), 4.45s, 1/1/32	A2	1,576,875
1,400,000	Effingham Cnty., Incl. Dev. Auth. Rev. Bonds (Pacific Corp.), 6 1/2s, 6/1/31	Ba3	1,314,250
2,000,000	GA Loc. Govt. COP (Grantor Trust), Ser. A, MBIA, 4 3/4s, 6/1/28	Aaa	1,980,000
1,500,000	Savannah, Econ. Dev. Auth. Poll. Control Rev. Bonds (Intl. Paper Co.), Ser. A, 5.1s, 8/1/14	Baa2	1,543,125
			----- 12,349,250
 Hawaii (0.5%)			
-----			
1,710,000	HI State Hsg. Fin. & Dev. Corp. Rev. Bonds, Ser. A, FNMA Coll., 5 3/4s, 7/1/30	Aaa	1,752,750
 Illinois (7.8%)			
-----			
5,000,000	Chicago, Pub. Bldg. Comm. Rev. Bonds (School Reform Project), FGIC, 5 1/4s, 12/1/15	Aaa	5,606,250
5,900,000	IL Hlth. Fac. Auth. VRDN (Bromenn Hlth. care), 1.15s, 8/15/32	A-1+	5,900,000
10,000,000	IL Hsg. Dev. Auth. Multi-Fam. Hsg. Rev. Bonds, Ser. 91-A, 8 1/4s, 7/1/16	A1	10,044,400
3,000,000	Metropolitan Pier & Exposition Auth. Rev. Bonds (McCormick Place Convention), 7s, 7/1/26	Aaa	3,888,750
			----- 25,439,400
 Indiana (2.3%)			
-----			
4,150,000	IN State Dev. Fin. Auth. Env. Impt. Rev. Bonds (USX Corp.), 5.6s, 12/1/32	Baa1	4,051,438
2,000,000	Indianapolis, Arpt. Auth. Special Fac. Rev. Bonds (Federal Express Corp.), 7.1s, 1/15/17	Baa2	2,101,900
1,300,000	Rockport, Poll. Control Mandatory Put Bonds (Indiana Michigan Pwr. Co.), Ser. C, 2 5/8s, 4/1/25	BBB	1,291,875
			----- 7,445,213
 Iowa (0.2%)			
-----			
650,000	Tobacco Settlement Auth. of IA Rev. Bonds, Ser. B, 5.6s, 6/1/35	Baa2	501,313
 Kentucky (0.4%)			
-----			
1,300,000	Kenton Cnty., Arpt. Board Rev. Bonds (Special Fac. -- Delta Airlines, Inc.), Ser. B, 7 1/4s, 2/1/22	B	1,277,250

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Louisiana (1.2%)

2,000,000	LA Local Govt. Env. Fac. Cmnty. Dev. Auth. Rev. Bonds (St. James Place), Ser. A, 8s, 11/1/19	B-/P	1,862,500
2,000,000	Port of New Orleans, Incl. Dev. Rev. Bonds (Continental Grain Co.), 7 1/2s, 7/1/13	BB-	2,042,500
			----- 3,905,000

Maine (0.2%)

600,000	Rumford, Solid Waste Disp. Rev. Bonds (Boise Cascade Corp.), 6 7/8s, 10/1/26	Ba2	600,000
---------	--	-----	---------

Maryland (1.5%)

4,770,000	MD Cmnty. Dev. Admin. Multi-Fam. Hsg. Rev. Bonds, Ser. E, GNMA Coll., FHA Insd., 6.85s, 5/15/25	Aa2	4,883,288
-----------	---	-----	-----------

Massachusetts (5.7%)

1,300,000	Atlas Boston Tax Exempt Rev. Bonds, Ser. 1, 6.65s, 1/1/35 (In default) (NON)	D/P	715,000
	MA State Hlth. & Edl. Fac. Auth. Rev. Bonds (Rehab. Hosp. Cape & Islands), Ser. A, 7 7/8s, 8/15/24	AAA/P	2,753,678
1,875,000	(UMass Memorial), Ser. C, 6 1/2s, 7/1/21	Baa2	1,928,906
1,300,000	(Berkshire Hlth. Syst.), Ser. E, 6 1/4s, 10/1/31	BBB+	1,322,750
1,800,000	(Hlth. Care Syst. Covenant Hlth.), Ser. E, 6s, 7/1/31	A-	1,845,000
7,535,000	MA State Hsg. Fin. Agcy. Rev. Bonds, Ser. 53, MBIA, 6.15s, 12/1/29	Aaa	7,798,725
1,000,000	MA State Incl. Fin. Agcy. Rev. Bonds (1st Mtge. Brookhaven), Ser. A, 7s, 1/1/15	BBB/P	1,030,000
1,000,000	MA State Wtr. Resource Auth. Rev. Bonds, Ser. J, FSA, 5 1/2s, 8/1/20	Aaa	1,125,000
			----- 18,519,059

Michigan (2.4%)

4,500,000	Detroit, G.O. Bonds, Ser. A, FGIC, 5s, 7/1/30	Aaa	4,533,750
500,000	MI Higher Ed. Fac. Auth. Rev. Bonds (Kalamazoo College), 5 1/2s, 12/1/18	A1	526,875
1,000,000	MI State Hosp. Fin. Auth. Rev. Bonds (Oakwood Hosp.), Ser. A, 5 3/4s, 4/1/32	A2	1,013,750
1,650,000	MI State Strategic Fund, Ltd. Rev. Bonds (Worthington Armstrong Venture), 5 3/4s, 10/1/22	AAA/P	1,841,813

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			-----
			7,916,188
Minnesota (1.0%)			
-----			
1,860,000	Minneapolis & St. Paul, Metropolitan Arpt. Comm. Special Fac. Rev. Bonds (Northwest Airlines, Inc.), Ser. A, 7s, 4/1/25	B+/P	1,692,600
1,500,000	Southern MN Muni. Pwr. Agcy. Syst. Rev. Bonds, Ser. A, AMBAC, 5 1/4s, 1/1/16	Aaa	1,676,250
			-----
			3,368,850
Mississippi (1.2%)			
-----			
1,350,000	Clairborne Cnty., Poll. Control Rev. Bonds (Syst. Energy Resources, Inc.), 7.3s, 5/1/25	BBB-	1,365,026
1,000,000	Mississippi Bus. Fin. Corp. Poll. Control Rev. Bonds (Syst. Energy Resources, Inc.), 5.9s, 5/1/22	BBB-	1,000,000
1,580,000	Mississippi Bus. Fin. Corp. Rev. Bonds (Syst. Energy Resources, Inc.), 5 7/8s, 4/1/22	BBB-	1,580,000
			-----
			3,945,026
Missouri (1.3%)			
-----			
1,750,000	Cape Girardeau Cnty., Incl. Dev. Auth. Hlth. Care Fac. Rev. Bonds (St. Francis Med. Ctr.), Ser. A, 5 1/2s, 6/1/16	A	1,828,750
2,500,000	MO State Hlth. & Edl. Fac. Auth. Rev. Bonds (Washington U.), Ser. A, 5s, 2/15/33	Aa1	2,518,750
			-----
			4,347,500
Montana (0.6%)			
-----			
1,075,000	Forsyth, Poll. Control Mandatory Put Bonds (Avista Corp.), AMBAC, 5s, 10/1/32	Aaa	1,170,406
750,000	MT State Board Inv. Exempt Fac. Rev. Bonds (Still Water Mining Project), 8s, 7/1/20	Ba3	716,250
			-----
			1,886,656
Nevada (2.1%)			
-----			
3,505,000	Clark Cnty., G.O. Bonds (Pk. & Regl. Justice Ctr.), FGIC, 5 5/8s, 11/1/19	Aaa	3,851,119
3,000,000	Clark Cnty., Incl. Dev. Rev. Bonds (Southwest Gas Corp.), Ser. A, 6 1/2s, 12/1/33	Baa2	3,026,250
			-----
			6,877,369

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### New Hampshire (1.1%)

	NH Higher Ed. & Hlth. Fac. Auth. Rev. Bonds		
2,450,000	(Riverwoods at Exeter), Ser. A, 6 1/2s, 3/1/23	BB/P	2,428,563
1,250,000	(NH College), 6 3/8s, 1/1/27	BBB-	1,287,500
			3,716,063

### New Jersey (4.5%)

	NJ Hlth. Care Fac. Fin. Auth. Rev. Bonds (Raritan Bay Med. Ctr.), 7 1/4s, 7/1/14	BB+/P	1,638,924
500,000	NJ State Ed. Fac. Auth. Rev. Bonds (Stevens Inst. of Tech.), Ser. C, 5 1/8s, 7/1/22	A-	499,375
10,000,000	Salem Cnty., Indl. Poll Ctrl. Fin. Auth. Rev. Bonds, 11.798s, 10/1/29 (acquired 10/28/94, cost \$9,750,000) (RES)	Aaa	11,318,200
1,150,000	Tobacco Settlement Fin. Corp. Rev. Bonds, 6 3/4s, 6/1/39	Baa2	1,049,375
			14,505,874

### New York (3.1%)

	Buffalo, G.O. Bonds, Ser. D, FGIC, 5 1/2s, 12/15/13	Aaa	1,127,500
3,000,000	NY City, G.O. Bonds, Ser. C, 5 1/4s, 8/1/11	A2	3,262,500
1,000,000	NY City, Transitional Fin. Auth. Rev. Bonds (Future Tax), AMBAC, 5 1/4s, 8/1/15	Aaa	1,087,500
2,000,000	NY State Dorm. Auth. Rev. Bonds (State Personal Income Tax), Ser. A, 5 1/2s, 3/15/13	AA	2,255,000
2,500,000	Triborough Bridge & Tunnel Auth. Rev. Bonds, Ser. A, 5s, 1/1/32	Aa3	2,506,250
			10,238,750

### North Carolina (0.7%)

	NC Eastern Muni. Pwr. Agcy. Syst. Rev. Bonds, Ser. B, MBIA, 6s, 1/1/22	Aaa	2,372,500

### Ohio (1.4%)

	Erie Cnty., Ohio Hosp. Fac. Rev. Bonds (Firelands Regl. Med. Ctr.), 5 5/8s, 8/15/32	A2	1,285,875
1,000,000	Montgomery Cnty., Hosp. Rev. Bonds (Kettering Med. Ctr.), 6 3/4s, 4/1/22	Baa1	1,056,250
2,165,000	Rickenbacker, Port Auth. Rev. Bonds (OASBO Expanded Asset Pooled), Ser. A, 5 3/8s, 1/1/32	A2	2,267,838
			4,609,963



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### Oklahoma (0.6%)

1,300,000	OK Dev. Fin. Auth. Rev. Bonds (Continuing Care Retirement), Ser. A, 8s, 2/1/32	B/P	1,330,875
1,000,000	(Hillcrest Hlth. Care), Ser. A, 5 5/8s, 8/15/29	B1	686,250
			2,017,125

### Pennsylvania (8.2%)

3,000,000	Allegheny Cnty., G.O. Bonds, Ser. C-56, FSA, 5s, 10/1/15	Aaa	3,303,750
5,000,000	Allegheny Cnty., Hosp. Dev. Auth. Rev. Bonds (Pittsburgh Mercy Hlth. Syst. ), AMBAC, 5 5/8s, 8/15/26	Aaa	5,393,750
965,000	Carbon Cnty., Indl. Dev. Auth. Rev. Bonds (Panther Creek Partners), 6.65s, 5/1/10	BBB-	1,037,375
1,000,000	Delaware Cnty., Hosp. Auth. G.O. Bonds (Crozer-Chester Med. Ctr.), 6 1/4s, 12/15/31	Baa2	985,000
4,000,000	Delaware Valley, Regl. Fin. Auth. Rev. Bonds, Ser. A, AMBAC, 5 1/2s, 8/1/28	Aaa	4,395,000
1,500,000	Lancaster Cnty., Hosp. Auth. Rev. Bonds (Gen. Hosp.), 5 1/2s, 3/15/26	A-	1,486,875
1,000,000	Lehigh Cnty., Gen. Purpose Auth. Rev. Bonds (Lehigh Valley Hosp. Hlth. Network), Ser. A, 5 1/4s, 7/1/32	A2	962,500
1,000,000	PA Econ. Dev. Fin. Auth. Resource Recvy. Rev. Bonds (Colver Project), Ser. D, 7.15s, 12/1/18	BBB-	1,033,220
3,000,000	PA Econ. Dev. Fin. Auth. Wastewtr. Treatment Rev. Bonds (Sun Co., Inc.), Ser. A, 7.6s, 12/1/24	Baa2	3,216,870
3,000,000	PA State Econ. Dev. Fin. Auth. Resource Recvy. Rev. Bonds (Colver), Ser. E, 8.05s, 12/1/15	BBB-/P	3,122,310
1,450,000	Sayre, Hlth. Care Fac. Auth. Rev. Bonds (Guthrie Hlth.), Ser. A, 5 7/8s, 12/1/31	A-	1,484,438
			26,421,088

### South Carolina (2.7%)

1,250,000	SC Jobs Econ. Dev. Auth. Rev. Bonds (Palmetto Hlth.), Ser. C, 6s, 8/1/20	Baa2	1,270,313
3,000,000	SC Tobacco Settlement Rev. Mgt. Rev. Bonds, Ser. B, 6 3/8s, 5/15/30	Baa2	2,598,750
4,500,000	Spartanburg Cnty., Solid Waste Disp. Rev. Bonds (BMW Project), 7.55s, 11/1/24	A1	4,820,895
			8,689,958

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### Tennessee (0.9%)

---

2,750,000	Johnson City, Hlth. & Edl. Fac. Board Hosp. Rev. Bonds (Mountain States Hlth.), Ser. A, 7 1/2s, 7/1/33	Baa2	2,987,181
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### Texas (9.3%)

---

2,000,000	Alliance, Arpt. Auth. Rev. Bonds (American Airlines, Inc.), 7 1/2s, 12/1/29	Caa2	1,420,000
12,000,000	Bexar Cnty., Hlth. Fac. Dev. Corp. Rev. Bonds (St. Luke's Hlth. Syst.), FSA, 6.1s, 11/15/23	Aaa	13,155,000
1,000,000	Comal Cnty. Hlth. Fac. Dev. Corp. Rev. Bonds (Hlth. Care Syst. -- McKenna Memorial Project), Ser. A, 6 1/4s, 2/1/32	Baa2	1,002,500
2,000,000	Hays, Cons. Indpt. School Dist. G.O. Bonds, PSFG, 5 1/2s, 8/15/10	Aaa	2,285,000
3,000,000	Lower Neches Valley Indl. Dev. Swr. Auth. Rev. Bonds (Mobil Oil Refining Corp.), 6.4s, 3/1/30	Aaa	3,123,750
2,000,000	San Antonio Wtr. Rev. Bonds, Ser. A, FSA, 5s, 5/15/32	Aaa	2,005,000
5,000,000	Titus Cnty. Fresh Wtr. Supply Dist. No. 1 Poll. Rev. Bonds. (Southwestern Elec.Pwr. Co.), Ser. A, 8.2s, 8/1/11	Baa1	5,070,250
2,000,000	Tomball, Hosp. Auth. Rev. Bonds (Tomball Regl. Hosp.), 6s, 7/1/29	Baa2	2,015,000
			30,076,500

### Utah (0.3%)

---

1,000,000	Salt Lake City, Hosp. IFB (IHC Hosp. Inc.), AMBAC, 12.354s, 5/15/20 (acquired 6/6/97, cost \$1,168,906) (RES)	Aaa	1,005,000
-----------	--	-----	-----------

### Virginia (1.3%)

---

500,000	Fredericksburg, Indl. Dev. Auth. Rev. Bonds (Medicorp Hlth. Syst.), Ser. B, 5 1/8s, 6/15/33	A3	485,000
1,500,000	Pocahontas Parkway Assn. Toll Rd. Rev. Bonds, Ser. A, 5 1/2s, 8/15/28	BB	1,164,375
2,500,000	VA College Bldg. Auth. Rev. Bonds (Washington and Lee U.), MBIA, 5 1/4s, 1/1/26	AAA	2,687,500
			4,336,875

### Washington (2.4%)

---

4,000,000	Chelan Cnty. Dev. Corp. Rev. Bonds (Poll. Control-Alcoa), 5.85s, 12/1/31	A2	4,140,000
2,250,000	King Cnty., G.O. Bonds, Ser. C, 6 1/4s, 1/1/32	Aa1	2,525,625

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1,300,000	Tobacco Settlement Auth. of WA Rev. Bonds, 6 1/2s, 6/1/26	Baa2	1,192,750
			7,858,375
West Virginia (0.4%)			
-----			
2,000,000	Princeton, Hosp. Rev. Bonds (Cmnty. Hosp. Assn., Inc.), 6.1s, 5/1/29	Ba3	1,445,000
Wisconsin (2.2%)			
-----			
	Badger Tobacco Settlement Asset Securitization Corp. Rev. Bonds		
2,600,000	7s, 6/1/28	Baa2	2,470,000
2,500,000	6 3/8s, 6/1/32	Baa2	2,171,875
2,400,000	WI State Hlth. & Edl. Fac. Auth. Rev. Bonds (Wheaton Franciscan), 5 3/4s, 8/15/30	A2	2,454,000
			7,095,875
Total Investments (cost \$316,975,747)			\$325,648,989
-----			

(a) Percentages indicated are based on portfolio market value.

(RAT) The Moody's or Standard & Poor's ratings indicated are believed to be the most recent ratings available at October 31, 2003 for the securities listed. Ratings are generally ascribed to securities at the time of issuance. While the agencies may from time to time revise such ratings, they undertake no obligation to do so, and the ratings do not necessarily represent what the agencies would ascribe to these securities at October 31, 2003. Securities rated by Putnam are indicated by "/P" and are not publicly rated.

(NON) Non-income-producing security.

(RES) Restricted, excluding 144A securities, as to public resale. The total market value of restricted securities held at October 31, 2003 was \$12,323,200 or 3.8% of portfolio market value.

The rates shown on VRDN and mandatory put bonds are the current interest rates shown at October 31, 2003.

The rates shown on IFB and IF COP, which are securities paying interest rates that vary inversely to changes in the market interest rates, are the current interest rates at October 31, 2003.

The fund had the following industry group concentrations greater than 10% at October 31, 2003  
(as a percentage of portfolio market value):

Health care	19.9%
Utilities	16.5

The fund had the following insurance concentrations greater than 10% at October 31, 2003  
(as a percentage of portfolio market value):

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MBIA	12.1%
FGIC	11.6

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

### Statement of assets and liabilities October 31, 2003 (Unaudited)

#### Assets

Investments in securities, at value (identified cost \$316,975,747) (Note 1)	\$325,648,989
Cash	321,448
Interest and other receivables	6,067,964
Receivable for securities sold	210,650
<b>Total assets</b>	<b>332,249,051</b>

#### Liabilities

Distributions payable to common shareholders	1,284,400
Accrued preferred shares distribution payable (Note 1)	18,761
Payable for compensation of Manager (Note 2)	550,142
Payable for investor servicing and custodian fees (Note 2)	30,836
Payable for Trustee compensation and expenses (Note 2)	27,248
Payable for administrative services (Note 2)	526
Other accrued expenses	119,798
<b>Total liabilities</b>	<b>2,031,711</b>

Series A remarketed preferred shares: (800 shares authorized and issued at \$50,000 per share (Note 4))	40,000,000
---	------------

Series B and C remarketed preferred shares: (3,240 shares authorized and issued at \$25,000 per share (Note 4))	81,000,000
---	------------

Net assets	\$209,217,340
------------	---------------

#### Represented by

Paid-in capital -- common shares (Note 1)	\$223,156,275
Undistributed net investment income (Note 1)	1,505,167
Accumulated net realized loss on investments (Note 1)	(24,117,344)
Net unrealized appreciation of investments	8,673,242
<b>Total -- Representing net assets applicable to common shares outstanding</b>	<b>\$209,217,340</b>

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### Computation of net asset value

Net asset value per common share (\$209,217,340 divided by 16,157,092 shares)	\$12.95
--	---------

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

### Statement of operations Six months ended October 31, 2003 (Unaudited)

Interest income:	\$9,530,150
------------------	-------------

#### Expenses:

Compensation of Manager (Note 2)	1,102,168
Investor servicing and custodian fees (Note 2)	109,092
Trustee compensation and expenses (Note 2)	5,773
Administrative services (Note 2)	3,167
Preferred share remarketing agent fees	172,722
Other	108,013
<b>Total expenses</b>	<b>1,500,935</b>
Expense reduction (Note 2)	(11,881)
<b>Net expenses</b>	<b>1,489,054</b>
Net investment income	8,041,096
Net realized loss on investments (Notes 1 and 3)	(6,042,897)
Net unrealized appreciation of investments during the period	5,814,555
<b>Net loss on investments</b>	<b>(228,342)</b>
<b>Net increase in net assets resulting from operations</b>	<b>\$7,812,754</b>

#### Distributions to Series A, B, and C remarketed preferred shareholders: (Note 1)

From tax exempt income	(585,724)
<b>Net increase in net assets resulting from operations applicable to common shareholders</b>	<b>\$7,227,030</b>

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

### Statement of changes in net assets

Six months ended October 31	Year ended April 30
--------------------------------	------------------------

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	2003*	2003
-----		
Decrease in net assets		
-----		
Operations:		
-----		
Net investment income	\$8,041,096	\$17,642,636
Net realized loss on investments	(6,042,897)	(3,462,398)
Net unrealized appreciation of investments	5,814,555	1,777,603
Net increase in net assets resulting from operations	7,812,754	15,957,841
-----		
Distributions to Series A, B, and C remarketed preferred shareholders: (Note 1)		
-----		
From tax exempt income	(585,724)	(1,569,492)
From ordinary income	--	(231)
Net increase in net assets resulting from operations applicable to common shareholders	7,227,030	14,388,118
-----		
Distributions to common shareholders: (Note 1)		
-----		
From tax exempt income	(7,706,582)	(14,767,169)
From ordinary income	--	(4,847)
Total decrease in net assets	(479,552)	(383,898)
-----		
Net assets		
-----		
Beginning of period	209,696,892	210,080,790
End of period (including undistributed net investment income of \$1,505,167 and \$1,756,377, respectively)	\$209,217,340	\$209,696,892
-----		
Number of fund shares		
-----		
Common shares outstanding at beginning and end of period	16,157,092	16,157,092
Remarketed preferred shares outstanding at beginning and end of period	4,040	4,040
-----		

\* Unaudited

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

### Financial highlights

(For a common share outstanding throughout the period)

Six months  
ended  
October 31

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Per-share operating performance	(Unaudited) 2003	2003	2002	Year ended Ap 2001
-----				
Net asset value, beginning of period (common shares)	\$12.98	\$13.00	\$13.00	\$12.51
-----				
Investment operations:				
-----				
Net investment income (a)	.50	1.09	1.16	1.15
-----				
Net realized and unrealized gain (loss) on investments	(.01)	(.10)	(.10)	.56
-----				
Total from investment operations	.49	.99	1.06	1.71
-----				
Distributions to preferred shareholders:				
-----				
From net investment income	(.04)	(.10)	(.15)	(.31)
-----				
Total from investment operations applicable to common shareholders	.45	.89	.91	1.40
-----				
Distributions to common shareholders:				
-----				
From net investment income	(.48)	(.91)	(.91)	(.91)
-----				
Total distributions:	(.48)	(.91)	(.91)	(.91)
-----				
Net asset value, end of period (common shares)	\$12.95	\$12.98	\$13.00	\$13.00
-----				
Market price, end of period (common shares)	\$12.730	\$12.480	\$12.500	\$13.590
-----				
Total return at market price (%) (common shares) (b)	5.82*	7.35	(1.57)	25.32
-----				
Ratios and supplemental data				
-----				
Net assets, end of period (common shares) (in thousands)	\$209,217	\$209,697	\$210,081	\$210,097
-----				
Ratio of expenses to average net assets (%) (c) (d)	.71*	1.41	1.43	1.44
-----				
Ratio of net investment income to average net assets (%) (d)	3.54*	7.65	7.63	6.50
-----				
Portfolio turnover (%)	12.41*	12.30	20.84	14.59
-----				

\* Not annualized.

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

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- (b) Total return assumes dividend reinvestment.
- (c) Includes amounts paid through expense offset arrangements (Note 2).
- (d) Ratios reflect net assets available to common shares only: net investment income ratio also reflects reduction for dividend payments to preferred shareholders.

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

Notes to financial statements  
October 31, 2003 (Unaudited)

Note 1  
Significant accounting policies

Putnam Municipal Opportunities 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 a high level of current income exempt from federal income tax and consistent with the preservation of capital. The fund intends to achieve its objective by investing in a portfolio of investment grade municipal bonds that Putnam Investment Management, LLC ("Putnam Management"), the fund's manager, an indirect wholly-owned subsidiary of Putnam, LLC, believes to be consistent with preservation of capital.

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

A) Security valuation Tax-exempt bonds and notes are valued on the basis of valuations provided by an independent pricing service, approved by the Trustees. Such services use information with respect to transactions in bonds, quotations from bond dealers, market transactions in comparable securities and various relationships between securities in determining value. Restricted securities are valued at fair value following procedures approved by the Trustees. Such valuations and procedures are reviewed periodically by the Trustees.

B) 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. All premiums/discounts are amortized/accreted on a yield-to-maturity basis. The premium in excess of the call price, if any, is amortized to the call date; thereafter, any remaining premium is amortized to maturity.

C) Federal taxes It is the policy of the fund to distribute all of its 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



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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 April 30, 2003, the fund had a capital loss carryover of \$14,831,099 available to the extent allowed by tax law to offset future net capital gain, if any. The amount of the carryover and the expiration dates are:

Loss Carryover	Expiration
\$4,581,245	April 30, 2004
126,586	April 30, 2007
2,788,662	April 30, 2008
1,503,027	April 30, 2009
2,243,569	April 30, 2010
3,588,010	April 30, 2011

Pursuant to federal income tax regulations applicable to regulated investment companies, the fund has elected to defer to its fiscal year ending April 30, 2004 approximately \$2,849,439 of losses recognized during the period November 1, 2002 to April 30, 2003.

The aggregate identified cost on a tax basis is \$316,975,642, resulting in gross unrealized appreciation and depreciation of \$15,987,529 and \$7,314,182, respectively, or net unrealized appreciation of \$8,673,347.

D) Distributions to shareholders Distributions to common and preferred 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. Dividends on remarketed preferred shares become payable when, as and if declared by the Trustees. Each dividend period for the remarketed preferred shares is generally a 28-day period for Series A and a 7-day period for Series B and Series C. The applicable dividend rate for the remarketed preferred shares on October 31, 2003 was Series A 0.90%, Series B 0.89%, and Series C 0.90%. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Reclassifications are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations.

E) Determination of net asset value Net asset value of the common shares is determined by dividing the value of all assets of the fund, less all liabilities and the liquidation preference of any outstanding remarketed preferred shares, by the total number of common shares outstanding as of period end.

### Note 2

Management fee, administrative services and other transactions

Compensation of Putnam Management, for management and investment advisory services is paid quarterly based on the average net assets of the fund. Such fee is based on 0.65% of the fund's average weekly net assets.

If dividends payable on remarketed preferred shares during any dividend payment period plus any expenses attributable to remarketed preferred shares for that period exceed the fund's gross income attributable to

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the proceeds of the remarketed preferred shares during that period, then the fee payable to Putnam Management for that period will be reduced by the amount of the excess (but not more than 0.65% of the liquidation preference of the remarketed preferred shares outstanding during the period).

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 six months ended October 31, 2003, the fund's expenses were reduced by \$11,881 under these arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$687 has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees receive additional fees for attendance at certain committee meetings.

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

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

### Note 3

#### Purchases and sales of securities

During the six months ended October 31, 2003, cost of purchases and proceeds from sales of investment securities other than short-term investments aggregated \$39,521,187 and \$45,947,157, respectively. There were no purchases and sales of U.S. government obligations.

### Note 4

#### Preferred shares

The Series A, B and C shares are redeemable at the option of the fund on any dividend payment date at a redemption price of \$50,000, \$25,000 and \$25,000, respectively per share, plus an amount equal to any dividends accumulated on a daily basis but unpaid through the redemption date (whether or not such dividends have been declared) and, in certain circumstances, a call premium.

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It is anticipated that dividends paid to holders of remarketed preferred shares will be considered tax-exempt dividends under the Internal Revenue Code of 1986. To the extent that the fund earns taxable income and capital gains by the conclusion of a fiscal year, it may be required to apportion to the holders of the remarketed preferred shares throughout that year additional dividends as necessary to result in an after-tax equivalent to the applicable dividend rate for the period.

Under the Investment Company Act of 1940, the fund is required to maintain asset coverage of at least 200% with respect to the remarketed preferred shares as of the last business day of each month in which any such shares are outstanding. Additionally, the fund is required to meet more stringent asset coverage requirements under terms of the remarketed preferred shares and the shares' rating agencies. Should these requirements not be met, or should dividends accrued on the remarketed preferred shares not be paid, the fund may be restricted in its ability to declare dividends to common shareholders or may be required to redeem certain of the remarketed preferred shares. At October 31, 2003, no such restrictions have been placed on the fund.

### Note 5

#### Regulatory matters and litigation

On November 13, 2003, Putnam Management agreed to entry of an order by the Securities and Exchange Commission (SEC) in partial resolution of administrative and cease-and-desist proceedings initiated by the SEC on October 28, 2003 in connection with alleged excessive short-term trading by at least six Putnam Management investment professionals. The SEC's findings reflect that four of those employees engaged in such trading in funds over which they had investment decision-making responsibility and had access to non-public information regarding, among other things, current portfolio holdings, and valuations. The six individuals no longer have investment responsibilities with Putnam Management. Under the order, Putnam Management will make restitution for losses attributable to excessive short-term trading by Putnam employees, institute new employee trading restrictions and enhanced employee trading compliance, retain an independent compliance consultant, and take other remedial actions. Putnam Management neither admitted nor denied the order's findings, which included findings that Putnam Management willfully violated provisions of the federal securities laws. A civil monetary penalty and other monetary relief, if any, will be determined at a later date. If a hearing is necessary to determine the amounts of such penalty or other relief, Putnam Management will be precluded from arguing that it did not violate the federal securities laws in the manner described in the SEC order, the findings set forth in the SEC order will be accepted as true by the hearing officer and additional evidence may be presented. Putnam Management, and not the investors in any Putnam fund, will bear all costs, including restitution, civil penalties and associated legal fees. Administrative proceedings instituted by the Commonwealth of Massachusetts on October 28, 2003 against Putnam Management in connection with alleged market timing activities by Putnam employees and by participants in some Putnam-administered 401(k) plans are pending. Putnam Management has committed to make complete restitution for any losses suffered by Putnam shareholders as a result of any improper market-timing activities by Putnam employees or within Putnam-administered 401(k) plans.

The SEC's and Commonwealth's allegations and related matters also serve as the general basis for numerous lawsuits, including purported class action lawsuits filed against Putnam Management and

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certain related parties, including certain Putnam funds. Putnam Management has agreed to bear any costs incurred by Putnam funds in connection with these lawsuits. Based on currently available information, Putnam Management believes that the likelihood that the pending private lawsuits and purported class action lawsuits will have a material adverse financial impact on the fund is remote, and the pending actions are not likely to materially affect its ability to provide investment management services to its clients, including the Putnam funds.

Review of these matters by counsel for Putnam Management and by separate independent counsel for the Putnam funds and their independent Trustees is continuing. In addition, Marsh & McLennan Companies, Inc., Putnam Management's parent company, has engaged counsel to conduct a separate review of Putnam Management's policies and controls related to short-term trading.

Results of October 7, 2003 shareholder meeting  
(Unaudited)

An annual meeting of shareholders of the fund was held on October 7, 2003. At the meeting, each of the nominees for Trustees was elected, as follows:

	Common shares	
	Votes for	Votes withheld
Jameson Adkins Baxter	14,448,177	338,766
Charles B. Curtis	14,449,043	337,900
Ronald J. Jackson	14,451,330	335,613
Paul L. Joskow	14,435,117	351,826
Elizabeth T. Kennan	14,446,356	340,587
Lawrence J. Lasser*	14,448,441	338,501
John H. Mullin III	14,451,302	335,641
George Putnam, III	14,447,699	339,244
A.J.C. Smith	14,439,604	347,339
W. Thomas Stephens	14,447,244	339,699
W. Nicholas Thorndike	14,419,674	367,269

	Preferred Shares	
	Votes for	Votes withheld
Jameson Adkins Baxter	3,845	6
Charles B. Curtis	3,845	6
John A. Hill	3,845	6
Ronald J. Jackson	3,845	6
Paul L. Joskow	3,845	6
Elizabeth T. Kennan	3,845	6
Lawrence J. Lasser*	3,845	6
John H. Mullin III	3,845	6
Robert E. Patterson	3,845	6
George Putnam, III	3,845	6
A.J.C. Smith	3,845	6
W. Thomas Stephens	3,845	6
W. Nicholas Thorndike	3,845	6

All tabulations are rounded to nearest whole number.

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\* Mr. Lasser resigned from the Board of Trustees of the Putnam funds on November 3, 2003.

### 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

#### Trustees

John A. Hill, Chairman  
Jameson Adkins Baxter  
Charles B. Curtis  
Ronald J. Jackson  
Paul L. Joskow  
Elizabeth T. Kennan  
John H. Mullin III  
Robert E. Patterson  
George Putnam, III  
A.J.C. Smith  
W. Thomas Stephens  
W. Nicholas Thorndike

#### Officers

George Putnam, III  
President

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

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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 9:00 a.m. to 5:00 p.m. Eastern Time,  
or visit our Web site ([www.putnaminvestments.com](http://www.putnaminvestments.com)) anytime for up-to-date  
information about the fund's NAV.

[LOGO OMITTED]

PUTNAM INVESTMENTS

The Putnam Funds  
One Post Office Square  
Boston, Massachusetts 02109

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Item 2. Code of Ethics:  
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Not applicable

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Item 3. Audit Committee Financial Expert:  
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Not applicable

Item 4. Principal Accountant Fees and Services:  
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Not applicable

Items 5-6. [Reserved]  
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Item 7. Disclosure of Proxy Voting Policies and Procedures For Closed End  
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Management Investment Companies: Not applicable  
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Item 8. [Reserved]  
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Item 9. Controls and Procedures:  
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(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 submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Commission's rules and forms.

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

Item 10. Exhibits:  
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(a) Not applicable

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

SIGNATURES

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

NAME OF REGISTRANT

By (Signature and Title):

/s/Michael T. Healy  
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Michael T. Healy  
Principal Accounting Officer

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Date: December 23, 2003

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

By (Signature and Title):                   /s/Karnig H. Durgarian  
-----  
Karnig H. Durgarian  
Principal Executive Officer

Date: December 23, 2003

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

Date: December 23, 2003

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

Date: December 23, 2003