

PUTNAM MANAGED HIGH YIELD TRUST

Form N-CSR

January 23, 2004

Putnam
Managed
High Yield
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:

SEMIANNUAL REPORT ON PERFORMANCE AND OUTLOOK

11-30-03

[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:

Looking back on an eventful year, we consider it important to take note of the increasingly positive trends that have become apparent in the U.S. economy and financial markets. The stimulus provided by fiscal and monetary policies has drawn the economy out of the slump of early 2003 and rising profits prompted a broad rally for stocks. The bond market steadied while offering pockets of opportunity. We see indications that these trends can continue into 2004 and know that Putnam management teams will seek to position the funds to benefit from them.

For the semiannual period ended November 30, 2003, Putnam Managed High Yield Trust delivered solid returns at net asset value. However, its results were slightly below both its benchmark index and its Lipper category average. You will find the details on the facing page.

In the accompanying report, the managers provide a thorough discussion of the fund's results not only in the context of the high-yield market in which it invests, but also in terms of investor sentiment. Although high-yield bonds were among the best-performing fixed-income securities during the period, returning strength of stocks lured growing numbers of investors into equities, dampening the entire fixed-income market. The management team also offers its perspective 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

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January 21, 2004

Report from Fund Management

Fund highlights

- * During the semiannual period ended November 30, 2003, Putnam Managed High Yield Trust had total returns of 9.47% at net asset value (NAV) and -4.26% at market price.
- * At NAV, the fund slightly underperformed the 9.70% return of its benchmark, the JP Morgan High Yield Developed Index, in part due to its underweight in the utilities and technology sectors.
- * At NAV, the fund also underperformed the average return of 9.92% for the Lipper closed-end High Current Yield Funds category. Comparisons in this category can be problematic, however, because it consists only of six funds.
- * Due to a decline in yields available in the market, the fund reduced its dividend to \$0.054 per share. This income reduction contributed to the fund's negative return at market price. Please see page 5 for details.
- * See the Performance Summary beginning on page 7 for complete fund performance, comparative performance, and Lipper data.

Performance commentary

The past six months have been a period of very strong returns for high-yield bonds and, consequently, for your fund. This investment sector has benefited from a number of positive events: Default rates have continued to decline, credit quality has improved as companies have retired or refinanced debt, and investor demand for high-yield bonds has been extremely strong, accompanied by robust supply. Moreover, short-term interest rates have been at historically low levels, creating a greater incentive for investors to seek higher yields. In this environment, your fund's management team has sought opportunities in lower-rated, higher-yielding issues, while maintaining diversification in the portfolio across a large number of holdings and sectors.

FUND PROFILE

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

Market overview

This semiannual period began in the midst of an extremely positive period for high-yield bonds. After the passing of a highly uncertain period leading up to war in Iraq, investors turned their attention to the improving economy and rising stock market in the late spring of 2003. These events, along with significant demand for high-yield bonds and declining default rates, helped the high-yield market to outperform all other fixed-income sectors during the six-month period.

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Due to the strengthening equity market, more companies have been able to access the capital markets, raising capital to retire or refinance debt and helping increase cash flows. Finally, the recovering economy has led to an increase in profits and higher cash flows. All of these factors have helped corporate default rates to continue their decline.

During the summer months, a sharp sell-off in Treasury bonds roiled the fixed-income markets, causing yields to rise -- and prices to fall -- abruptly. High-yield bonds, which are less sensitive to interest-rate changes, were less affected. In the fall, when the Treasury markets calmed down, the high-yield sector continued to benefit from the stronger economy and higher stock prices.

MARKET SECTOR PERFORMANCE 6 MONTHS ENDED 11/30/03

Bonds

JP Morgan High Yield Developed Index (high-yield corporate bonds)	9.70%
Lehman Aggregate Bond Index (broad bond market)	-1.04%
Lehman GNMA Index (Government National Mortgage Association Bonds)	0.81%
Lehman Municipal Bond Index (tax-exempt bonds)	0.18%

Equities

S&P 500 Index (broad stock market)	10.80%
Russell 2000 Index (stocks of small and midsize companies)	24.65%
MSCI EAFE Index (international stocks)	20.26%

These indexes provide an overview of performance in different market sectors for the six months ended 11/30/03.

Strategy overview

Our strategy for the fund during the past six months was to continue seeking, on a selective basis, opportunities in lower-quality bonds that offered both higher yields and the potential for an improvement in credit quality. Our primary rationale was that, in an environment of economic recovery and declining corporate default rates, we believed these securities offered the greatest total return potential within the high-yield universe. As the economy and stock market improved during the period, investor appetite for risk generally increased. As a result, many high-yield bonds -- especially those with lower ratings and higher yields -- have appreciated significantly. Our focus on these lower-rated issues, therefore, was beneficial for performance during the six-month period.

To implement this strategy, we have generally underweighted BB-rated bonds and have overweighted those with CCC ratings. We have sought bonds issued by companies with adequate liquidity and a strong ability to meet their obligations. Bonds with CCC ratings have been among the best-performing bonds in the high-yield market.

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

TOP SECTOR WEIGHTINGS COMPARED

	as of 5/31/03	as of 11/30/03
Utilities and power	6.7%	7.8%
Telecommunications	5.4%	6.7%
Chemicals	5.6%	5.4%
Gaming and lottery	5.6%	5.1%
Oil and gas	5.0%	4.1%

Footnote reads:

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

How fund holdings affected performance

One of the strongest sectors in the high-yield market has been the wireless industry. This industry has been growing at a rapid rate for several years. Among the strongest performing telecommunications holdings for the fund have been preferred stock issued by Rural Cellular Corp., a leading wireless carrier for rural areas, and Nextel, a large wireless telecommunications company that has performed well for the fund over several years (We have pared this holding back as prices of the securities have moved up.) Nextel has a significant telecommunications network in the United States and was the first company to offer a successful nationwide walkie-talkie feature.

The cable television industry has also outperformed this year, and the fund benefited from owning several strong-performing issues. Companies in this industry have seen steady cash flows from their cable businesses, as well as growth in demand for high-speed Internet services. Consequently, there has been greater interest among investors for both their stock and high-yield bond offerings. In this industry, the fund's strongest-performing issuer was Charter Communications LLC, which operates cable systems in 40 states for nearly 12 million homes. The company also provides high-speed Internet access through a network of coaxial and fiber-optic cable. In broadcasting, another outperforming sector, the fund held Granite Broadcasting, which owns and operates a number of network-affiliated television stations.

[GRAPHIC OMITTED: TOP HOLDINGS]

TOP HOLDINGS

- 1 PSF Group Holdings, Inc.*
144A Class A common stock
Food
- 2 CSC Holdings, Inc.
Series M, \$11.125 cumulative preferred stock
Cable television
- 3 Qwest Services Corp.

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- 144A notes, 13.5%, 2010
Communications services
- 4 Qwest Corp.
144A notes, 8.875%, 2012
Communications services
- 5 Young Broadcasting, Inc.
Company guaranty, 10%, 2011
Broadcasting
- 6 HMM Properties, Inc.
Company guaranty, Series B, 7.875%, 2008
Lodging/tourism
- 7 Calpine Corp.
144A sec. notes, 8.5%, 2010
Utilities and power
- 8 Six Flags, Inc.
Senior notes, 8.875%, 2010
Entertainment
- 9 JP Morgan
HYDI discount notes, 8%, 2008
Financial
- 10 Tyco International Group SA (Luxembourg)
Notes, 6.375%, 2011
Conglomerates

Footnotes read:

These holdings represent 7.4% of the fund's net assets as of 11/30/03.
The fund's holdings will change over time.

* Holding acquired through corporate restructuring.

The fund was underweighted in lower-quality bonds in the energy and financial sectors. This strategy detracted from the fund's performance relative to its benchmark index because these securities outperformed the higher-quality bonds in these sectors that the fund owned. The fund's performance was also hurt by AK Steel Corp, an Ohio-based steel manufacturer that had disappointing financial results.

Please note that all holdings discussed in this report are subject to review in accordance with the fund's investment strategy and may vary in the future.

OF SPECIAL INTEREST

The high-yield market has experienced dramatic changes in yield as well as in the yield spread, or difference in yields compared to Treasuries. Since the beginning of the market recovery on October 10, 2002, yields in the high-yield market have dropped nearly 40% from 14.1% to 8.66%; at the same time, the yield spread over Treasuries has fallen by more than 40%. As a result, in October 2003, there was a reduction in the fund's dividend from \$0.060 per share to \$0.054 per share.

The fund's management team

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

The outlook for your fund

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

High-yield bond returns have been significantly above their historical average for the past year (including the past six months), and investors should be cautioned that such returns are unlikely to be repeated in 2004. Nevertheless, we believe the near term should still be positive for the high-yield sector, and that solid returns are achievable. Such returns, we believe, would be driven by continued declines in default rates, improvements in corporate earnings and cash flow that would benefit credit quality, and low short-term interest rates. Continued low interest rates, combined with a steep yield curve -- meaning that longer-term rates would be significantly higher -- could continue to drive demand for high-yield bonds, as has been the case so far in 2003.

There are potential headwinds in 2004 that could cause volatility in the bond market. Interest rates may begin to rise, and continued appreciation in stock prices is by no means a certainty. We plan to maintain diversity in the portfolio across a large number of holdings and sectors to mitigate the effects of potential market volatility.

The views expressed in this report are exclusively those of Putnam Management. They are not meant as investment advice. Lower-rated bonds may offer higher yields in return for more risk. The fund is closed to new investors.

Performance summary

This section provides information about your fund's performance during the first half of its fiscal year, which ended November 30, 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 11/30/03

	NAV	Market price	JP Morgan High Yield Developed Index*	Lipper closed-end High Current Yield Funds category average+
6 months	9.47%	-4.26%	9.70%	9.92%

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1 year	23.20	5.82	25.72	28.00
5 years	15.97	-6.91	28.07	19.39
Annual average	3.01	-1.42	5.07	3.48
10 years	70.48	69.57	--	78.10
Annual average	5.48	5.42	--	5.85
Annual average Life of fund (since 6/25/93)	5.74	4.36	--	6.59

Performance does not reflect taxes on reinvested distributions.

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

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

+ Over the 6-month and 1-, 5-, and 10-year periods ended 11/30/03, there were 6, 5, 4, and 4 funds, respectively, in this Lipper category.

PRICE AND DISTRIBUTION INFORMATION 6 MONTHS ENDED 11/30/03

Putnam Managed High Yield Trust

Distributions

Number	6	
Income 1	\$0.348	
Capital gains 1	--	
Total	\$0.348	
Share value:	NAV	Market price
5/31/03	\$8.45	\$9.02
11/30/03	8.88	8.29
Current return (end of period)		
Current dividend rate 2	7.30%	7.82%

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

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

TOTAL RETURN FOR PERIODS ENDED 12/31/03 (MOST RECENT CALENDER QUARTER)

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	NAV	Market price
6 months	9.30%	1.10%
1 year	25.95	13.55
5 years	20.49	-1.69
Annual average	3.80	-0.34
10 years	71.65	73.75
Annual average	5.55	5.68
Annual average Life of fund (since 6/25/93)	5.95	4.84

Terms and definitions

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

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

Market price is the current trading price of one share of the fund. Market prices are set by transactions between buyers and sellers on public exchanges such as the New York Stock Exchange or the American stock exchange.

Comparative indexes

JP Morgan (formerly Chase) High Yield Developed Index is an unmanaged index used to mirror the investable universe of U.S. dollar global high-yield corporate debt securities for developed markets.

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

Lehman GNMA Index is an unmanaged index of GNMA securities.

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

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

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

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

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

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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 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.

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 line 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, 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

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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
November 30, 2003 (Unaudited)

Corporate bonds and notes (86.0%) (a)
Principal amount

Value

Advertising and Marketing Services (0.2%)

	\$100,000 Lamar Media Corp. company guaranty 7 1/4s, 2013	\$106,750
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Automotive (2.0%)

	50,000 ArvinMeritor, Inc. notes 8 3/4s, 2012	54,625
	145,000 Collins & Aikman Products company guaranty 10 3/4s, 2011	130,863
	30,000 Dana Corp. notes 10 1/8s, 2010	34,350
	165,000 Dana Corp. notes 9s, 2011	188,100
EUR	15,000 Dana Corp. notes 9s, 2011	19,777
	\$15,000 Dana Corp. notes 7s, 2029	13,725
	40,000 Delco Remy International, Inc. company guaranty 11s, 2009	38,600
	75,000 Delco Remy International, Inc. company guaranty 10 5/8s, 2006	74,438
	105,000 Dura Operating Corp. company guaranty Ser. D, 9s, 2009	97,388
	30,000 Dura Operating Corp. 144A sr. notes 8 5/8s, 2012	30,525
	150,000 Lear Corp. company guaranty Ser. B, 8.11s, 2009	174,375
EUR	30,000 Lear Corp. sr. notes 8 1/8s, 2008	40,273
	\$70,000 Meritor Automotive, Inc. notes 6.8s, 2009	71,050
	105,000 Metaldyne Corp. 144A sr. notes 10s, 2013	100,800
EUR	50,000 Teksid Aluminum 144A company guaranty 11 3/8s, 2011 (Luxembourg)	61,728
	\$70,000 Tenneco Automotive, Inc. company guaranty Ser. B, 11 5/8s, 2009	73,850
	130,000 Tenneco Automotive, Inc. sec. notes Ser. B, 10 1/4s, 2013	147,550
		1,352,017

Basic Materials (8.1%)

	75,000 Acetex Corp. sr. notes 10 7/8s, 2009 (Canada)	83,625
	25,000 Acetex Corp. 144A sr. notes 10 7/8s, 2009 (Canada)	27,750
	120,000 AK Steel Corp. company guaranty 7 3/4s, 2012	81,000
	120,000 Appleton Papers, Inc. company guaranty Ser. B, 12 1/2s, 2008	135,300

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	80,000 Armco, Inc. sr. notes 8 7/8s, 2008	54,800
	60,000 Avecia Group PLC company guaranty 11s, 2009 (United Kingdom)	51,000
	105,000 Better Minerals & Aggregates Co. company guaranty 13s, 2009	64,575
	100,000 Compass Minerals Group, Inc. company guaranty 10s, 2011	111,000
	157,237 Doe Run Resources Corp. company guaranty Ser. A1, 11 3/4s, 2008 (acquired various dates from 7/27/01 to 10/15/03, cost \$98,556) (RES) (PIK)	58,178
	35,000 Equistar Chemicals LP notes 8 3/4s, 2009	35,175
	290,000 Equistar Chemicals LP/Equistar Funding Corp. company guaranty 10 1/8s, 2008	307,400
	60,000 Equistar Chemicals LP/Equistar Funding Corp. 144A sr. notes 10 5/8s, 2011	63,600
	75,000 Georgia-Pacific Corp. bonds 7 3/4s, 2029	72,188
	65,000 Georgia-Pacific Corp. debs. 7.7s, 2015	67,113
	90,000 Gerdau Ameristeel Corp/Gusap Partners 144A sr. notes 10 3/8s, 2011 (Canada)	95,400
	275,000 Hercules, Inc. company guaranty 11 1/8s, 2007	328,625
	95,000 Huntsman Advanced Materials, LLC 144A sec. notes 11s, 2010	103,550
	46,212 Huntsman Corp. bank term loan FRN Ser. A, 5.957s, 2007 (acquired various dates from 6/10/02 to 7/17/02, cost \$39,765) (RES)	42,265
	33,068 Huntsman Corp. bank term loan FRN Ser. B, 8.938s, 2007 (acquired various dates from 6/10/02 to 7/17/02, cost \$27,840) (RES)	30,243
	135,000 Huntsman ICI Chemicals, Inc. company guaranty 10 1/8s, 2009	133,988
	235,000 Huntsman ICI Holdings sr. disc. notes zero %, 2009	102,813
EUR	75,000 Huntsman International, LLC sr. sub. notes Ser. EXCH, 10 1/8s, 2009	83,602
	\$230,000 ISP Chemco, Inc. company guaranty Ser. B, 10 1/4s, 2011	255,300
	45,000 ISP Holdings, Inc. sec. sr. notes Ser. B, 10 5/8s, 2009	48,600
	10,000 Kaiser Aluminum & Chemical Corp. sr. notes Ser. B, 10 7/8s, 2006 (In default) (NON)	8,750
	305,000 Kaiser Aluminum & Chemical Corp. sr. sub. notes 12 3/4s, 2003 (In default) (NON)	47,275
	70,000 Louisiana-Pacific Corp. sr. notes 8 7/8s, 2010	82,600
	100,000 Lyondell Chemical Co. company guaranty 9 1/2s, 2008	101,500
	20,000 Lyondell Chemical Co. company guaranty 9 1/2s, 2008	20,250
	165,000 Lyondell Chemical Co. notes Ser. A,	

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	9 5/8s, 2007	169,950
	30,000 Lyondell Chemical Co. sec. notes Ser. B, 9 7/8s, 2007	30,900
EUR	10,000 MDP Acquisitions PLC sr. notes 10 1/8s, 2012 (Ireland)	13,328
\$130,000	MDP Acquisitions PLC sr. notes 9 5/8s, 2012 (Ireland)	144,300
	58,185 MDP Acquisitions PLC sub. notes 15 1/2s, 2013 (Ireland) (PIK)	66,913
	30,000 Millennium America, Inc. 144A sr. notes 9 1/4s, 2008	32,175
305,000	Millennium America, Inc. company guaranty 9 1/4s, 2008	327,113
	40,000 Millennium America, Inc. company guaranty 7 5/8s, 2026	35,400
	40,000 Nalco Co. 144A sr. notes 7 3/4s, 2011	41,600
EUR	10,000 Nalco Co. 144A sr. notes 7 3/4s, 2011	12,226
EUR	10,000 Nalco Co. 144A sr. sub. notes 9s, 2013	12,226
\$145,000	Nalco Co. 144A sr. sub. notes 8 7/8s, 2013	150,800
	80,000 Noveon International company guaranty Ser. B, 11s, 2011	88,800
	85,000 OM Group, Inc. company guaranty 9 1/4s, 2011	86,063
	55,000 Pacifica Papers, Inc. sr. notes 10s, 2009 (Canada)	58,163
	31,547 PCI Chemicals Canada sec. sr. notes 10s, 2008 (Canada)	28,787
	70,155 Pioneer Cos., Inc. sec. FRN 4.64s, 2006	63,841
145,000	Potlatch Corp. company guaranty 10s, 2011	160,950
	65,000 Resolution Performance Products, LLC sr. notes 9 1/2s, 2010	64,350
	60,000 Rhodia SA notes 9s, 2009 (France)	60,931
	10,000 Rhodia SA 144A sr. notes 7 5/8s, 2010 (France)	9,400
	65,000 Royster-Clark, Inc. 1st mtge. 10 1/4s, 2009	54,275
	50,000 Salt Holdings Corp. 144A sr. disc. notes stepped-coupon zero % (12s, 6/1/06), 2013 (STP)	32,500
130,000	Salt Holdings Corp. 144A sr. notes stepped-coupon zero % (12 3/4s, 12/15/07), 2012 (STP)	97,500
	5,000 Smurfit-Stone Container Corp. company guaranty 8 1/4s, 2012	5,356
	20,000 Solutia, Inc. company guaranty 11 1/4s, 2009	17,900
	75,000 Solutia, Inc. debs. 6.72s, 2037	57,750
	90,000 Steel Dynamics, Inc. company guaranty 9 1/2s, 2009	98,325
	25,566 Sterling Chemicals, Inc. sec. notes 10s, 2007 (PIK)	23,904
	40,000 Stone Container Corp. sr. notes 9 3/4s, 2011	43,900
140,000	Stone Container Corp. sr. notes 8 3/8s, 2012	150,325
	60,000 Tembec Industries, Inc. company	

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	guaranty 7 3/4s, 2012 (Canada)	56,250
40,000	Texas Petrochemical Corp. sr. sub. notes Ser. B, 11 1/8s, 2006 (In default) (NON)	13,600
135,000	Ucar Finance, Inc. company guaranty 10 1/4s, 2012	149,174
100,000	United States Steel Corp. sr. notes 9 3/4s, 2010	107,250
90,000	WCI Steel, Inc. sr. notes Ser. B, 10s, 2004 (In default) (NON)	25,200
11,000	Weirton Steel Corp. sr. notes 10s, 2008 (In default) (NON)	2,035
120,000	Wheeling-Pittsburgh Steel Corp. sr. notes 9 1/4s, 2007 (In default) (NON)	1
6,875	Wheeling-Pittsburgh Steel Corp. sr. notes 6s, 2010	2,750
13,751	Wheeling-Pittsburgh Steel Corp. sr. notes 5s, 2011	6,876
80,000	WHX Corp. sr. notes 10 1/2s, 2005	68,000

		5,368,552
Beverage (0.1%)		

30,000	Constellation Brands, Inc. company guaranty 8 1/2s, 2009	31,500
45,000	Constellation Brands, Inc. sr. sub. notes Ser. B, 8 1/8s, 2012	49,275

		80,775
Broadcasting (2.9%)		

210,000	British Sky Broadcasting PLC company guaranty 6 7/8s, 2009 (United Kingdom)	232,120
440,000	Diva Systems Corp. sr. disc. notes Ser. B, 12 5/8s, 2008 (In default) (NON)	35,200
35,000	Echostar DBS Corp. sr. notes 9 3/8s, 2009	36,925
52,000	Echostar DBS Corp. sr. notes 9 1/8s, 2009	58,110
280,000	Echostar DBS Corp. 144A sr. notes 6 3/8s, 2011	280,000
10,000	Granite Broadcasting Corp. sr. sub. notes 10 3/8s, 2005	9,900
115,000	Granite Broadcasting Corp. sr. sub. notes 9 3/8s, 2005	113,850
145,000	Granite Broadcasting Corp. sr. sub. notes 8 7/8s, 2008	137,750
105,000	Gray Television, Inc. company guaranty 9 1/4s, 2011	116,550
5,370	Knology, Inc. 144A sr. notes 12s, 2009 (PIK)	5,316
70,000	Pegasus Satellite sr. notes 12 3/8s, 2006	60,900
350,375	Quorum Broadcast Holdings, LLC notes stepped-coupon zero % (15s, 5/15/06), 2009 (STP)	265,479
52,000	RCN Corp. sr. disc. notes Ser. B,	

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	zero %, 2008	24,960
60,000	Sinclair Broadcast Group, Inc. company guaranty 8 3/4s, 2011	65,700
421,000	Young Broadcasting, Inc. company guaranty 10s, 2011	443,103
21,000	Young Broadcasting, Inc. company guaranty Ser. B, 8 3/4s, 2007	21,000
		1,906,863

Building Materials (0.6%)

25,000	Atrium Cos., Inc. company guaranty Ser. B, 10 1/2s, 2009	26,531
60,000	Building Materials Corp. company guaranty 8s, 2008	58,800
100,000	Dayton Superior Corp. 144A sec. notes 10 3/4s, 2008	102,125
140,000	Nortek Holdings, Inc. 144A sr. notes stepped-coupon zero % (10s, 11/15/07), 2011 (STP)	98,000
10,000	Nortek, Inc. sr. sub. notes Ser. B, 9 7/8s, 2011	10,888
60,000	Nortek, Inc. 144A sr. notes Ser. B, 9 1/8s, 2007	61,800
5,000	Owens Corning bonds 7 1/2s, 2018 (In default) (NON)	1,963
120,000	Owens Corning notes 7 1/2s, 2005 (In default) (NON)	47,100
		407,207

Cable Television (2.7%)

10,000	Adelphia Communications Corp. notes Ser. B, 9 7/8s, 2005 (In default) (NON)	8,300
20,000	Adelphia Communications Corp. sr. notes 10 7/8s, 2010 (In default) (NON)	16,600
90,000	Adelphia Communications Corp. sr. notes 10 1/4s, 2011 (In default) (NON)	76,950
5,000	Adelphia Communications Corp. sr. notes 10 1/4s, 2006 (In default) (NON)	4,156
5,000	Adelphia Communications Corp. sr. notes 9 3/8s, 2009 (In default) (NON)	4,275
40,000	Adelphia Communications Corp. sr. notes Ser. B, 9 7/8s, 2007 (In default) (NON)	33,200
9,407	Australis Media, Ltd. sr. disc. notes 15 3/4s, 2003 (Australia) (In default) (DEF) (NON)	1
70,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (12 1/8s, 1/15/07), 2012 (STP)	37,100
35,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (11 3/4s,	

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	5/15/06), 2011 (STP)	20,388
90,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (9.92s, 4/1/04), 2011 (STP)	69,300
105,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (11 3/4s, 1/15/05), 2010 (STP)	77,175
290,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 11 1/8s, 2011	247,950
200,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 3/4s, 2009	171,000
75,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 1/4s, 2010	62,063
265,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10s, 2011	212,000
110,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 9 5/8s, 2009	88,825
20,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 8 5/8s, 2009	16,000
165,000	CSC Holdings, Inc. sr. notes 7 7/8s, 2007	169,124
115,000	Mediacom LLC/Mediacom Capital Corp. sr. notes 9 1/2s, 2013	114,138
90,000	Olympus Cable bank term loan FRN Ser. B, 6s, 2010 (acquired 6/20/02, cost \$78,435) (RES)	85,230
45,000	ONO Finance PLC sr. notes 14s, 2011 (United Kingdom)	43,200
20,000	ONO Finance PLC sr. notes 13s, 2009 (United Kingdom)	19,200
EUR	30,000 ONO Finance PLC sr. notes Ser. REGS, 14s, 2011 (United Kingdom)	33,081
\$320,000	TeleWest Communications PLC debs. 11s, 2007 (United Kingdom) (In default) (NON)	186,400

		1,795,656

Capital Goods (9.8%)

40,000	Advanced Glass Fiber Yarns bank term loan FRN Ser. A, 6 1/2s, 2004 (acquired 9/12/02, cost \$28,000) (RES)	24,000
50,000	Advanced Glass Fiber Yarns sr. sub. notes 9 7/8s, 2009 (In default) (NON)	2,250
145,000	AEP Industries, Inc. sr. sub. notes 9 7/8s, 2007	144,638
221,742	Air2 US 144A sinking fund Ser. D, 12.266s, 2020 (In default) (NON)	6,652
195,000	Allied Waste North America, Inc. company guaranty Ser. B, 9 1/4s, 2012	217,425

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	240,000	Allied Waste North America, Inc. company guaranty Ser. B, 8 1/2s, 2008	262,800
	330,000	Allied Waste North America, Inc. company guaranty Ser. B, 7 5/8s, 2006	344,850
	90,000	Allied Waste North America, Inc. 144A sec. notes 6 1/2s, 2010	90,450
	360,000	Argo-Tech Corp. company guaranty 8 5/8s, 2007	354,600
	80,000	Argo-Tech Corp. company guaranty Ser. D, 8 5/8s, 2007	78,800
	15,000	BE Aerospace, Inc. sr. sub. notes Ser. B, 8 7/8s, 2011	13,688
	220,000	BE Aerospace, Inc. sr. sub. notes Ser. B, 8s, 2008	200,200
	35,000	BE Aerospace, Inc. 144A sr. notes 8 1/2s, 2010	37,013
	35,000	Berry Plastics Corp. company guaranty 10 3/4s, 2012	39,725
	145,000	Blount, Inc. company guaranty 13s, 2009	147,175
	170,000	Blount, Inc. company guaranty 7s, 2005	170,638
	110,000	Browning-Ferris Industries, Inc. debs. 7.4s, 2035	102,300
	100,000	Browning-Ferris Industries, Inc. sr. notes 6 3/8s, 2008	98,750
EUR	90,000	BSN Financing Co. SA company guaranty Ser. EUR, 10 1/4s, 2009 (Luxembourg)	114,346
EUR	55,000	BSN Glasspack 144A sec. notes 9 1/4s, 2009 (France)	70,208
	\$90,000	Crown Holdings SA notes 10 7/8s, 2013 (France)	103,950
	300,000	Crown Holdings SA notes 9 1/2s, 2011 (France)	336,000
	240,000	Decrane Aircraft Holdings Co. company guaranty Ser. B, 12s, 2008	120,000
	120,000	Earle M. Jorgensen Co. sec. notes 9 3/4s, 2012	130,800
	110,000	FIMEP SA sr. notes 10 1/2s, 2013 (France)	127,600
EUR	60,000	Flender Holdings 144A sr. notes 11s, 2010 (Denmark)	79,108
	\$93,000	Flowserve Corp. company guaranty 12 1/4s, 2010	107,880
	15,000	Fonda Group, Inc. sr. sub. notes Ser. B, 9 1/2s, 2007	13,050
	25,000	Hexcel Corp. sr. sub. notes 9 3/4s, 2009	26,063
	180,000	Insilco Holding Co. sr. disc. notes zero %, 2008 (In default) (NON)	855
EUR	50,000	Invensys, PLC sr. unsub. notes 5 1/2s, 2005 (United Kingdom)	58,612
	\$80,000	Jordan Industries, Inc. sr. notes Ser. D, 10 3/8s, 2007	36,000
	85,000	K&F Industries, Inc. sr. sub. notes Ser. B, 9 5/8s, 2010	94,350
	23,000	K&F Industries, Inc. sr. sub. notes Ser. B, 9 1/4s, 2007	23,805
	325,000	L-3 Communications Corp. company	

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	guaranty 6 1/8s, 2013	322,563
175,000	Laidlaw International, Inc. 144A sr. notes 10 3/4s, 2011	192,500
110,000	Legrand SA debs. 8 1/2s, 2025 (France)	115,225
10,000	Manitowoc Co., Inc. (The) company guaranty 10 1/2s, 2012	11,300
EUR 25,000	Manitowoc Co., Inc. (The) company guaranty 10 3/8s, 2011	32,527
\$40,000	Manitowoc Co., Inc. (The) sr. notes 7 1/8s, 2013	40,900
55,000	Motors and Gears, Inc. sr. notes Ser. D, 10 3/4s, 2006	46,200
105,000	Owens-Brockway Glass company guaranty 8 7/8s, 2009	112,875
95,000	Owens-Brockway Glass company guaranty 8 1/4s, 2013	99,513
90,000	Owens-Brockway Glass company guaranty 7 3/4s, 2011	94,500
130,000	Owens-Brockway Glass sr. sec. notes 8 3/4s, 2012	142,025
20,000	Pliant Corp. company guaranty 13s, 2010	18,200
90,000	Pliant Corp. sec. notes 11 1/8s, 2009	93,600
115,000	Roller Bearing Company of America company guaranty Ser. B, 9 5/8s, 2007	106,950
250,000	Sequa Corp. sr. notes Ser. B, 8 7/8s, 2008	271,875
10,000	Siebe PLC 144A notes 7 1/8s, 2007 (United Kingdom)	10,125
35,000	Siebe PLC 144A sr. unsub. 6 1/2s, 2010 (United Kingdom)	33,338
90,000	Sweetheart Cup Co. company guaranty 12s, 2004	88,650
90,000	TD Funding Corp. 144A sr. sub. notes 8 3/8s, 2011	95,400
210,000	Tekni-Plex, Inc. company guaranty Ser. B, 12 3/4s, 2010	222,600
60,000	Tekni-Plex, Inc. 144A sr. sec. notes 8 3/4s, 2013	60,150
35,000	Terex Corp. company guaranty 9 1/4s, 2011	38,850
190,000	Terex Corp. company guaranty Ser. B, 10 3/8s, 2011	212,800
90,000	Titan Corp. (The) 144A sr. sub. notes 8s, 2011	103,050
110,000	Trimas Corp. company guaranty 9 7/8s, 2012	113,300
60,000	Vought Aircraft Industries, Inc. 144A sr. notes 8s, 2011	60,900

		6,518,497
Commercial and Consumer Services (0.5%)		

190,000	Coinmach Corp. sr. notes 9s, 2010	206,625
181,488	Derby Cycle Corp. (The) sr. notes 10s, 2008 (In default) (NON)	9,982
EUR 97,550	Derby Cycle Corp. (The) sr. notes 9 3/8s, 2008 (In default) (NON)	3,288

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\$115,000	IESI Corp. company guaranty 10 1/4s, 2012	124,775
		344,670
Communication Services (8.5%)		

240,000	ACC Escrow Corp. 144A sr. notes 10s, 2011	262,800
110,500	Alamosa Delaware, Inc. company guaranty 11s, 2010	114,920
35,000	American Cellular Corp. company guaranty 9 1/2s, 2009 (In default) (NON)	33,250
60,000	American Tower Corp. sr. notes 9 3/8s, 2009	63,000
125,000	American Towers, Inc. 144A sr. sub. notes 7 1/4s, 2011	125,625
100,000	Asia Global Crossing, Ltd. sr. notes 13 3/8s, 2010 (Bermuda) (In default) (NON)	14,750
315,000	Centennial Cellular Operating Co. company guaranty 10 1/8s, 2013	332,325
50,000	Cincinnati Bell, Inc. notes 7 1/4s, 2023	48,500
175,000	Cincinnati Bell, Inc. 144A company guaranty 7 1/4s, 2013	182,000
125,000	Cincinnati Bell, Inc. 144A sr. sub. notes 8 3/8s, 2014	131,250
311,173	Colo.com, Inc. 144A sr. notes 13 7/8s, 2010 (In default) (NON)	778
10,000	Colt Telecommunications Group PLC sr. disc. notes 12s, 2006 (United Kingdom)	10,000
100,000	Crown Castle International Corp. sr. disc. notes stepped-coupon zero % (10 3/8s, 5/15/04), 2011 (STP)	104,000
145,000	Crown Castle International Corp. sr. notes 9 3/8s, 2011	159,500
50,000	Crown Castle International Corp. sr. notes 9s, 2011	52,750
185,000	Dobson Communications Corp. 144A sr. notes 8 7/8s, 2013	186,156
45,000	Eircom Funding 144A sr. sub. notes 8 1/4s, 2013 (Ireland)	48,825
65,000	Fairpoint Communications, Inc. sr. sub. notes 12 1/2s, 2010	70,525
200,000	Firstworld Communication Corp. sr. disc. notes zero %, 2008 (In default) (NON)	20
31,713	Globix Corp. company guaranty 11s, 2008 (PIK)	27,273
20,000	Horizon PCS, Inc. company guaranty 13 3/4s, 2011 (In default) (NON)	4,500
200,000	iPCS, Inc. sr. disc. notes stepped-coupon zero % (14s, 7/15/05), 2010 (In default) (NON) (STP)	22,000
93,000	IWO Holdings, Inc. company guaranty 14s, 2011	14,880
15,000	Level 3 Communications, Inc. sr. notes 9 1/8s, 2008	13,538

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260,000	Level 3 Financing, Inc. 144A sr. notes 10 3/4s, 2011	271,700
120,000	Madison River Capital Corp. sr. notes 13 1/4s, 2010	131,700
200,000	Metromedia Fiber Network, Inc. sr. notes Ser. B, 10s, 2008 (In default) (NON)	12,750
128,000	Millicom International Cellular SA 144A sr. notes 11s, 2006 (Luxembourg)	131,200
205,000	Nextel Communications, Inc. sr. notes 9 1/2s, 2011	232,931
205,000	Nextel Communications, Inc. sr. notes 9 3/8s, 2009	223,963
175,000	Nextel Communications, Inc. sr. notes 7 3/8s, 2015	184,188
80,000	Nextel Partners, Inc. sr. notes 12 1/2s, 2009	92,400
90,000	Nextel Partners, Inc. sr. notes 11s, 2010	99,000
295,000	Nextel Partners, Inc. 144A sr. notes 8 1/8s, 2011	306,800
200,000	Orbital Imaging Corp. sr. notes Ser. B, 11 5/8s, 2005 (In default) (NON)	124,000
50,000	PanAmSat Corp. company guaranty 8 1/2s, 2012	54,372
410,000	Qwest Corp. 144A notes 8 7/8s, 2012	465,350
455,000	Qwest Services Corp. 144A notes 13 1/2s, 2010	535,154
10,000	Rogers Cantel, Ltd. debs. 9 3/8s, 2008 (Canada)	10,450
40,000	Rogers Wireless, Inc. sec. notes 9 5/8s, 2011 (Canada)	46,700
265,000	Telus Corp. notes 8s, 2011 (Canada)	304,332
105,000	TSI Telecommunication Services, Inc. company guaranty Ser. B, 12 3/4s, 2009	114,844
87,000	UbiquiTel Operating Co. bonds stepped-coupon zero % (14s, 4/15/05), 2010 (STP)	62,640
95,000	US UnWired, Inc. company guaranty stepped-coupon Ser. B, zero % (13 3/8s, 11/1/04), 2009 (STP)	62,700
180,000	Western Wireless Corp. sr. notes 9 1/4s, 2013	187,200
30,000	Williams Communications Group, Inc. notes zero %, 2010 (In default) (NON)	1
20,000	Williams Communications Group, Inc. notes zero %, 2008 (In default) (NON)	1
30,000	Williams Communications Group, Inc. notes zero %, 2007 (In default) (NON)	1

		5,677,542
 Conglomerates (1.0%)		

180,000	Tyco International Group SA company guaranty 7s, 2028 (Luxembourg)	181,575

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55,000	Tyco International Group SA company guaranty 6 3/4s, 2011 (Luxembourg)	59,125
350,000	Tyco International Group SA notes 6 3/8s, 2011 (Luxembourg)	367,500
45,000	Tyco International Group SA 144A sr. notes 6s, 2013 (Luxembourg)	45,513

		653,713
Consumer (1.1%)		

200,000	Icon Health & Fitness company guaranty 11 1/4s, 2012	218,250
170,000	Jostens Holding Corp. 144A sr. disc. notes stepped-coupon zero % (10 1/4s, 12/1/08), 2013 (STP)	107,100
100,000	Jostens, Inc. sr. sub. notes 12 3/4s, 2010	114,500
300,000	Samsonite Corp. sr. sub. notes 10 3/4s, 2008	311,250

		751,100
Consumer Goods (1.1%)		

125,000	Armkel, LLC/Armkel Finance sr. sub. notes 9 1/2s, 2009	136,875
30,000	French Fragrances, Inc. company guaranty Ser. D, 10 3/8s, 2007	30,750
29,000	French Fragrances, Inc. sr. notes Ser. B, 10 3/8s, 2007	30,029
270,000	Playtex Products, Inc. company guaranty 9 3/8s, 2011	265,275
70,000	Polaroid Corp. sr. notes 11 1/2s, 2006 (In default) (NON)	14,700
120,000	Remington Arms Co., Inc. company guaranty 10 1/2s, 2011	124,800
70,000	Revlon Consumer Products sr. notes 9s, 2006	47,600
65,000	Revlon Consumer Products sr. notes 8 1/8s, 2006	44,200
45,000	Scotts Co. (The) 144A sr. sub notes 6 5/8s, 2013	45,450

		739,679
Consumer Services (0.4%)		

100,000	Brand Services, Inc. company guaranty 12s, 2012	115,000
50,000	United Rentals (North America), Inc. company guaranty Ser. B, 10 3/4s, 2008	55,750
130,000	Williams Scotsman, Inc. company guaranty 9 7/8s, 2007	126,750

		297,500
Distribution (0.1%)		

120,000	Fleming Cos., Inc. company guaranty 10 1/8s, 2008 (In default) (NON)	20,400

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	90,000 Fleming Cos., Inc. sr. notes 9 1/4s, 2010 (In default) (NON)	15,525

		35,925
Energy (6.0%)		

	145,000 Arch Western Finance, LLC 144A sr. notes 6 3/4s, 2013	149,531
	120,000 Belden & Blake Corp. company guaranty Ser. B, 9 7/8s, 2007	113,400
	110,000 BRL Universal Equipment sec. notes 8 7/8s, 2008	118,250
	75,000 Chesapeake Energy Corp. company guaranty 9s, 2012	86,250
	45,000 Chesapeake Energy Corp. company guaranty 8 1/8s, 2011	49,163
	235,000 Chesapeake Energy Corp. sr. notes 7 1/2s, 2013	252,625
	170,000 Comstock Resources, Inc. company guaranty 11 1/4s, 2007	183,600
	140,000 Dresser, Inc. company guaranty 9 3/8s, 2011	146,650
	14,000 El Paso Energy Partners LP company guaranty Ser. B, 8 1/2s, 2011	15,330
	90,000 Encore Acquisition Co. company guaranty 8 3/8s, 2012	95,400
	125,000 Forest Oil Corp. company guaranty 7 3/4s, 2014	130,938
	50,000 Forest Oil Corp. sr. notes 8s, 2011	53,750
	35,000 Forest Oil Corp. sr. notes 8s, 2008	37,625
	60,000 Gazprom OAO 144A notes 9 5/8s, 2013 (Russia)	65,100
	65,000 Hornbeck Offshore Services, Inc. sr. notes 10 5/8s, 2008	71,338
	50,000 Key Energy Services, Inc. sr. notes 6 3/8s, 2013	50,250
	15,000 Leviathan Gas Corp. company guaranty Ser. B, 10 3/8s, 2009	16,275
	90,000 Massey Energy Co. 144A sr. notes 6 5/8s, 2010	90,450
	130,000 Newfield Exploration Co. sr. notes 7 5/8s, 2011	142,350
	75,000 Offshore Logistics, Inc. company guaranty 6 1/8s, 2013	72,000
	100,000 Parker Drilling Co. company guaranty Ser. B, 10 1/8s, 2009	104,000
	30,000 Pemex Project Funding Master Trust company guaranty 8 5/8s, 2022	33,150
	160,000 Pemex Project Funding Master Trust company guaranty 7 3/8s, 2014	168,608
	270,000 Pioneer Natural Resources Co. company guaranty 9 5/8s, 2010	333,983
	20,000 Pioneer Natural Resources Co. company guaranty 7.2s, 2028	20,862
	70,000 Plains All American Pipeline LP/Plains All American Finance Corp. company guaranty 7 3/4s, 2012	77,700
	100,000 Plains Exploration & Production Co. company guaranty Ser. B, 8 3/4s, 2012	109,500
	80,000 Plains Exploration & Production Co.	

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	sr. sub. notes 8 3/4s, 2012	87,600
110,000	Pogo Producing Co. sr. sub. notes Ser. B, 8 1/4s, 2011	121,550
10,000	Pride International, Inc. sr. notes 10s, 2009	10,725
77,000	Pride Petroleum Services, Inc. sr. notes 9 3/8s, 2007	79,310
100,000	Seabulk International, Inc. 144A sr. notes 9 1/2s, 2013	104,250
135,000	Star Gas Partners LP/Star Gas Finance Co. sr. notes 10 1/4s, 2013	146,475
60,000	Swift Energy Co. sr. sub. notes 10 1/4s, 2009	64,950
95,000	Swift Energy Co. sr. sub. notes 9 3/8s, 2012	103,550
155,000	Trico Marine Services, Inc. company guaranty 8 7/8s, 2012	100,750
25,000	Universal Compression, Inc. sr. notes 7 1/4s, 2010	25,875
45,000	Vintage Petroleum, Inc. sr. notes 8 1/4s, 2012	49,050
25,000	Vintage Petroleum, Inc. sr. sub. notes 7 7/8s, 2011	26,125
130,000	Westport Resources Corp. company guaranty 8 1/4s, 2011	141,700
90,000	Westport Resources Corp. 144A company guaranty 8 1/4s, 2011	98,100
25,000	XTO Energy, Inc. sr. notes 7 1/2s, 2012	28,375
55,000	XTO Energy, Inc. sr. notes 6 1/4s, 2013	58,025

		4,034,488
Entertainment (1.7%)		

100,000	AMC Entertainment, Inc. sr. sub. notes 9 7/8s, 2012	109,500
10,000	AMC Entertainment, Inc. sr. sub. notes 9 1/2s, 2011	10,500
130,000	AMC Entertainment, Inc. sr. sub. notes 9 1/2s, 2009	133,900
115,000	Cinemark USA, Inc. sr. sub. notes 9s, 2013	127,650
150,000	Cinemark USA, Inc. sr. sub. notes Ser. B, 8 1/2s, 2008	156,000
120,000	Premier Parks, Inc. sr. notes 10s, 2007	124,200
75,000	Regal Cinemas, Inc. company guaranty Ser. B, 9 3/8s, 2012	85,125
410,000	Six Flags, Inc. sr. notes 8 7/8s, 2010	402,825

		1,149,700
Financial (2.3%)		

180,000	Advanta Corp. 144A company guaranty Ser. B, 8.99s, 2026	126,450
70,000	Chevy Chase Savings Bank, Inc. sub. debs. 9 1/4s, 2005	70,088
55,000	Crescent Real Estate Equities LP	

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	notes 7 1/2s, 2007 (R)	56,788
145,000	Crescent Real Estate Equities LP sr. notes 9 1/4s, 2009 (R)	158,231
404,000	Finova Group, Inc. notes 7 1/2s, 2009	224,220
95,000	iStar Financial, Inc. sr. notes 8 3/4s, 2008 (R)	106,400
25,000	iStar Financial, Inc. sr. notes 7s, 2008 (R)	26,500
371,250	JP Morgan HYDI disc. notes 8s, 2008	378,675
61,000	Nationwide Credit, Inc. sr. notes Ser. A, 10 1/4s, 2008 (In default) (NON)	1
160,000	Peoples Bank - Bridgeport sub. notes 9 7/8s, 2010 (acquired 1/12/01, cost \$166,509) (RES)	191,742
85,000	UBS AG/Jersey Branch sr. notes Ser. EMTN, 9.14s, 2008 (Jersey)	85,000
100,000	Western Financial Bank sub. debs. 9 5/8s, 2012	112,000

		1,536,095
Food (1.2%)		

62,793	Archibald Candy Corp. company guaranty 10s, 2007 (PIK)	25,117
35,000	Dean Foods Co. sr. notes 6 5/8s, 2009	36,575
40,000	Del Monte Corp. company guaranty Ser. B, 9 1/4s, 2011	43,900
100,000	Del Monte Corp. 144A sr. sub. notes 8 5/8s, 2012	109,000
45,000	Dole Food Co. sr. notes 8 7/8s, 2011	48,656
35,000	Dole Food Co. sr. notes 8 5/8s, 2009	37,844
130,000	Eagle Family Foods company guaranty Ser. B, 8 3/4s, 2008	92,300
195,000	Land O'Lakes, Inc. sr. notes 8 3/4s, 2011	178,425
35,000	Parmalat Capital Finance, Ltd. company guaranty 6 5/8s, 2008 (Cayman Islands)	31,850
65,000	Pinnacle Foods Holding Corp. 144A sr. sub. notes 8 1/4s, 2013	66,625
110,000	Premier International Foods PLC sr. notes 12s, 2009 (United Kingdom)	119,900

		790,192
Gaming & Lottery (5.1%)		

110,000	Ameristar Casinos, Inc. company guaranty 10 3/4s, 2009	125,950
80,000	Argosy Gaming Co. company guaranty 10 3/4s, 2009	86,600
20,000	Argosy Gaming Co. sr. sub. notes 9s, 2011	22,025
120,000	Boyd Gaming Corp. sr. sub. notes 8 3/4s, 2012	130,200
70,000	Chumash Casino & Resort Enterprise 144A sr. notes 9 1/4s, 2010	76,825
155,000	Herbst Gaming, Inc. sec. notes	

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	Ser. B, 10 3/4s, 2008	173,213
120,000	Hollywood Park, Inc. company guaranty Ser. B, 9 1/4s, 2007	123,900
180,000	Horseshoe Gaming Holdings company guaranty 8 5/8s, 2009	191,475
75,000	Inn of the Mountain Gods 144A sr. notes 12s, 2010	79,500
75,000	Mandalay Resort Group 144A sr. notes 6 1/2s, 2009	77,063
10,000	MGM Mirage, Inc. coll. sr. notes 6 7/8s, 2008	10,625
230,000	MGM Mirage, Inc. company guaranty 8 1/2s, 2010	261,625
15,000	MGM Mirage, Inc. company guaranty 8 3/8s, 2011	16,763
60,000	Mirage Resorts, Inc. notes 6 3/4s, 2008	63,450
20,000	Mohegan Tribal Gaming Authority sr. notes 8 1/8s, 2006	21,525
40,000	Mohegan Tribal Gaming Authority sr. sub. notes 8 3/8s, 2011	43,600
220,000	Mohegan Tribal Gaming Authority sr. sub. notes 6 3/8s, 2009	225,500
175,000	Park Place Entertainment Corp. sr. notes 7 1/2s, 2009	190,750
65,000	Park Place Entertainment Corp. sr. notes 7s, 2013	68,413
95,000	Park Place Entertainment Corp. sr. sub. notes 8 7/8s, 2008	106,163
20,000	Park Place Entertainment Corp. sr. sub. notes 8 1/8s, 2011	22,025
100,000	Penn National Gaming, Inc. company guaranty Ser. B, 11 1/8s, 2008	112,500
185,000	Penn National Gaming, Inc. sr. sub. notes 8 7/8s, 2010	199,800
60,000	Pinnacle Entertainment, Inc. sr. sub. notes 8 3/4s, 2013	59,700
110,000	Resorts International Hotel and Casino, Inc. company guaranty 11 1/2s, 2009	116,875
100,000	Riviera Holdings Corp. company guaranty 11s, 2010	101,875
140,000	Station Casinos, Inc. sr. notes 8 3/8s, 2008	150,500
120,000	Trump Atlantic City Associates company guaranty 11 1/4s, 2006	90,300
260,000	Trump Casino Holdings, LLC company guaranty 11 5/8s, 2010	233,350
175,000	Venetian Casino Resort, LLC company guaranty 11s, 2010	202,563

		3,384,653

Health Care (5.6%)

	Alderwoods Group, Inc. company guaranty 12 1/4s, 2009	261,408
131,000	Alliance Imaging, Inc. sr. sub. notes 10 3/8s, 2011	135,913
105,000	AmerisourceBergen Corp. company guaranty 7 1/4s, 2012	111,563
100,000	AmerisourceBergen Corp. sr. notes	

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	8 1/8s, 2008	110,750
170,000	Ardent Health Services 144A sr. sub. notes 10s, 2013	181,900
75,000	Biovail Corp. sr. sub. notes 7 7/8s, 2010 (Canada)	72,375
35,000	Dade Behring, Inc. company guaranty 11.91s, 2010	40,163
90,000	Extendicare Health Services, Inc. company guaranty 9 1/2s, 2010	98,550
105,000	Hanger Orthopedic Group, Inc. company guaranty 10 3/8s, 2009	118,913
50,000	HCA, Inc. debs. 7.19s, 2015	52,368
60,000	HCA, Inc. notes 8.36s, 2024	64,917
70,000	HCA, Inc. notes 7.69s, 2025	71,785
10,000	HCA, Inc. notes 7s, 2007	10,758
205,000	Healthsouth Corp. notes 7 5/8s, 2012	187,575
75,000	Healthsouth Corp. sr. notes 8 1/2s, 2008	70,500
45,000	Healthsouth Corp. sr. notes 8 3/8s, 2011	41,288
45,000	Healthsouth Corp. sr. sub. notes 10 3/4s, 2008	41,400
75,000	IASIS Healthcare Corp. company guaranty 13s, 2009	84,000
15,000	IASIS Healthcare Corp. company guaranty 8 1/2s, 2009	15,373
180,000	Integrated Health Services, Inc. sr. sub. notes Ser. A, 9 1/2s, 2007 (In default) (NON)	1
110,000	Integrated Health Services, Inc. sr. sub. notes Ser. A, 9 1/4s, 2008 (In default) (NON)	1
250,000	Magellan Health Services, Inc. sr. sub. notes 9s, 2008 (In default) (NON)	172,500
55,000	Magellan Health Services, Inc. 144A sr. notes 9 3/8s, 2007 (In default) (NON)	60,775
180,000	Mediq, Inc. debs. 13s, 2009 (In default) (NON)	18
130,000	MedQuest, Inc. company guaranty Ser. B, 11 7/8s, 2012	142,513
60,000	NeighborCare, Inc. 144A sr. sub. notes 6 7/8s, 2013	60,450
120,000	Omnicare, Inc. sr. sub. notes 6 1/8s, 2013	119,700
133,000	PacifiCare Health Systems, Inc. company guaranty 10 3/4s, 2009	152,950
115,000	Province Healthcare Co. sr. sub. notes 7 1/2s, 2013	116,150
40,000	Service Corp. International debs. 7 7/8s, 2013	39,400
15,000	Service Corp. International notes 7.2s, 2006	15,413
5,000	Service Corp. International notes 6 7/8s, 2007	5,100
20,000	Service Corp. International notes 6 1/2s, 2008	20,200
185,000	Service Corp. International notes 6s, 2005	187,313
50,000	Service Corp. International notes Ser. (a), 7.7s, 2009	52,375

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130,000	Stewart Enterprises, Inc. notes 10 3/4s, 2008	146,250
55,000	Tenet Healthcare Corp. notes 7 3/8s, 2013	53,213
10,000	Tenet Healthcare Corp. sr. notes 6 1/2s, 2012	9,200
310,000	Tenet Healthcare Corp. sr. notes 6 3/8s, 2011	286,750
190,000	Triad Hospitals, Inc. 144A sr. sub. notes 7s, 2013	189,525
85,000	Universal Hospital Services, Inc. 144A sr. notes 10 1/8s, 2011	87,975
55,000	Ventas Realty LP/Capital Corp. company guaranty 9s, 2012	61,600
		----- 3,750,871
 Homebuilding (1.7%)		

80,000	Beazer Homes USA, Inc. company guaranty 8 5/8s, 2011	87,800
25,000	Beazer Homes USA, Inc. company guaranty 8 3/8s, 2012	27,500
120,000	D.R. Horton, Inc. sr. notes 7 7/8s, 2011	137,400
25,000	D.R. Horton, Inc. sr. notes 6 7/8s, 2013	26,750
85,000	D.R. Horton, Inc. sr. notes 5 7/8s, 2013	84,469
30,000	K. Hovnanian Enterprises, Inc. company guaranty 10 1/2s, 2007	35,250
90,000	K. Hovnanian Enterprises, Inc. company guaranty 8 7/8s, 2012	98,438
95,000	K. Hovnanian Enterprises, Inc. company guaranty 8s, 2012	103,550
15,000	K. Hovnanian Enterprises, Inc. sr. notes 6 1/2s, 2014	14,963
50,000	Meritage Corp. 144A sr. notes 9 3/4s, 2011	56,250
135,000	Ryland Group, Inc. sr. notes 9 3/4s, 2010	155,250
5,000	Ryland Group, Inc. sr. notes 5 3/8s, 2008	5,200
70,000	Schuler Homes, Inc. company guaranty 10 1/2s, 2011	80,063
30,000	Technical Olympic USA, Inc. company guaranty 10 3/8s, 2012	33,300
65,000	Technical Olympic USA, Inc. company guaranty 9s, 2010	69,388
30,000	WCI Communities, Inc. company guaranty 10 5/8s, 2011	33,450
90,000	WCI Communities, Inc. company guaranty 9 1/8s, 2012	98,550
		----- 1,147,571
 Household Furniture and Appliances (0.5%)		

130,000	Sealy Mattress Co. company guaranty Ser. B, 10 7/8s, 2007	134,875
170,000	Sealy Mattress Co. sr. sub. notes Ser. B, 9 7/8s, 2007	174,250

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309,125

Lodging/Tourism (2.6%)

155,000	FelCor Lodging LP company guaranty 9 1/2s, 2008 (R)	165,850
85,000	Gaylord Entertainment Co. 144A sr. notes 8s, 2013	87,975
155,000	Hilton Hotels Corp. notes 7 5/8s, 2012	171,663
410,000	HMH Properties, Inc. company guaranty Ser. B, 7 7/8s, 2008	423,325
60,000	Host Marriott LP company guaranty Ser. G, 9 1/4s, 2007 (R)	65,625
98,000	Host Marriott LP sr. notes Ser. E, 8 3/8s, 2006 (R)	103,880
120,000	Host Marriott LP 144A sr. notes 7 1/8s, 2013 (R)	118,800
105,000	ITT Corp. notes 6 3/4s, 2005	110,250
210,000	John Q. Hammons Hotels LP/John Q. Hammons Hotels Finance Corp. III 1st mtge. Ser. B, 8 7/8s, 2012	229,950
50,000	Meristar Hospitality Corp. company guaranty 9 1/8s, 2011 (R)	52,375
115,000	RFS Partnership LP company guaranty 9 3/4s, 2012	123,338
10,000	Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 7/8s, 2012	11,088
80,000	Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 3/8s, 2007	85,700
		----- 1,749,819

Media (0.4%)

85,000	Capitol Records, Inc. 144A company guaranty 8 3/8s, 2009	86,700
140,000	Vivendi Universal SA 144A notes 6 1/4s, 2008 (France)	147,000
		----- 233,700

Publishing (3.8%)

239,000	Affinity Group Holdings sr. notes 11s, 2007	244,975
185,000	Dex Media West, LLC 144A sr. notes 8 1/2s, 2010	202,113
85,000	Dex Media, Inc. 144A disc. notes stepped-coupon zero % (9s, 11/15/08), 2013 (STP)	55,888
100,000	Dex Media, Inc. 144A notes 8s, 2013	101,750
80,000	Garden State Newspapers, Inc. sr. sub. notes 8 5/8s, 2011	84,400
273,884	Hollinger Participation Trust 144A sr. notes 12 1/8s, 2010 (Canada) (PIK)	317,705
185,000	PRIMEDIA, Inc. company guaranty 8 7/8s, 2011	191,475
80,000	PRIMEDIA, Inc. company guaranty 7 5/8s, 2008	79,600

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135,000	PRIMEDIA, Inc. 144A sr. notes 8s, 2013	135,844
30,000	Quebecor Media, Inc. sr. disc. notes stepped-coupon zero % (13 3/4s, 7/15/06), 2011 (Canada) (STP)	26,250
155,000	Quebecor Media, Inc. sr. notes 11 1/8s, 2011 (Canada)	178,250
20,000	RH Donnelley Finance Corp. I company guaranty 8 7/8s, 2010	22,450
170,000	RH Donnelley Finance Corp. I 144A sr. notes 8 7/8s, 2010	190,825
85,000	RH Donnelley Finance Corp. I 144A sr. sub. notes 10 7/8s, 2012	100,406
155,000	Vertis, Inc. company guaranty Ser. B, 10 7/8s, 2009	158,875
120,000	Vertis, Inc. sub. notes 13 1/2s, 2009	112,200
75,000	Vertis, Inc. 144A sec. notes 9 3/4s, 2009	80,250
50,000	Videotron Ltee 144A notes 6 7/8s, 2014 (Canada)	51,375
110,000	Von Hoffman Press, Inc. company guaranty 10 1/4s, 2009	115,500
110,614	Von Hoffman Press, Inc. debs. 13s, 2009 (PIK)	99,000

		2,549,131
 Restaurants (0.9%)		

110,000	Domino's, Inc. 144A sr. sub. notes 8 1/4s, 2011	115,913
140,000	Sbarro, Inc. company guaranty 11s, 2009	108,500
90,000	Yum! Brands, Inc. sr. notes 8 7/8s, 2011	108,450
50,000	Yum! Brands, Inc. sr. notes 8 1/2s, 2006	55,563
120,000	Yum! Brands, Inc. sr. notes 7.7s, 2012	137,700
40,000	Yum! Brands, Inc. sr. notes 7.65s, 2008	45,100

		571,226
 Retail (2.2%)		

80,000	Asbury Automotive Group, Inc. company guaranty 9s, 2012	84,200
160,000	Autonation, Inc. company guaranty 9s, 2008	182,000
65,000	Gap, Inc. (The) notes 6.9s, 2007	71,744
100,000	Hollywood Entertainment Corp. sr. sub. notes 9 5/8s, 2011	107,500
75,000	J. Crew Operating Corp. 144A sr. sub. notes 10 3/8s, 2007	77,438
185,000	JC Penney Co., Inc. debs. 7.95s, 2017	205,350
30,000	JC Penney Co., Inc. debs. 7.65s, 2016	32,850
25,000	JC Penney Co., Inc. debs. 7 1/8s, 2023	26,375

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	35,000 JC Penney Co., Inc. notes 9s, 2012	41,650
	5,000 JC Penney Co., Inc. notes 8s, 2010	5,725
	100,000 Rite Aid Corp. company guaranty 9 1/2s, 2011	112,500
	5,000 Rite Aid Corp. debs. 6 7/8s, 2013	4,738
	15,000 Rite Aid Corp. notes 7 1/8s, 2007	15,225
	40,000 Rite Aid Corp. sec. notes 8 1/8s, 2010	43,000
	75,000 Rite Aid Corp. sr. notes 9 1/4s, 2013	80,625
	5,000 Rite Aid Corp. 144A notes 6s, 2005	4,988
	245,000 Saks, Inc. company guaranty 8 1/4s, 2008	277,463
	10,000 TM Group Holdings sr. notes 11s, 2008 (United Kingdom)	10,600
	70,000 United Auto Group, Inc. company guaranty 9 5/8s, 2012	77,700
		1,461,671
Technology (2.8%)		
	82,000 AMI Semiconductor, Inc. company guaranty 10 3/4s, 2013	97,785
	87,000 DigitalNet Holdings Inc. 144A sr. notes 9s, 2010	95,483
EUR	140,000 Getronics NV sub. notes 13s, 2008 (Netherlands)	81,595
	\$115,000 Iron Mountain, Inc. company guaranty 8 5/8s, 2013	125,063
	125,000 Iron Mountain, Inc. company guaranty 8 1/8s, 2008 (Canada)	130,625
	10,000 Lucent Technologies, Inc. debs. 6 1/2s, 2028	7,600
	175,000 Lucent Technologies, Inc. debs. 6.45s, 2029	133,438
	10,000 Lucent Technologies, Inc. notes 5 1/2s, 2008	9,125
	175,000 Nortel Networks Corp. notes 6 1/8s, 2006 (Canada)	176,094
	135,000 ON Semiconductor Corp. company guaranty 13s, 2008	156,600
	95,000 SCG Holding & Semiconductor Corp. company guaranty 12s, 2009	102,125
	110,000 Seagate Technology Hdd Holdings company guaranty 8s, 2009 (Cayman Islands)	119,350
	64,685 Telex Communications Group, Inc. sr. sub. notes Ser. A, zero %, 2006	32,343
	130,000 Xerox Capital Trust I company guaranty 8s, 2027	120,250
	55,000 Xerox Corp. company guaranty 9 3/4s, 2009	62,425
	65,000 Xerox Corp. notes Ser. MTN, 7.2s, 2016	63,213
	195,000 Xerox Corp. sr. notes 7 5/8s, 2013	200,850
	140,000 Xerox Corp. sr. notes 7 1/8s, 2010	144,200
		1,858,164
Textiles (0.6%)		

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100,000	Galey & Lord, Inc. company guaranty 9 1/8s, 2008 (In default) (NON)	750
160,000	Levi Strauss & Co. sr. notes 12 1/4s, 2012	115,600
75,000	Oxford Industries, Inc. 144A sr. notes 8 7/8s, 2011	79,875
120,000	Russell Corp. company guaranty 9 1/4s, 2010	124,800
68,000	William Carter Holdings Co. (The) company guaranty Ser. B, 10 7/8s, 2011	77,265

		398,290
Tire & Rubber (--%)		

35,000	Goodyear Tire & Rubber Co. (The) notes 7.857s, 2011	29,750
Transportation (1.9%)		

85,000	Allied Holdings, Inc. company guaranty Ser. B, 8 5/8s, 2007	81,600
95,000	American Airlines, Inc. pass-through certificates Ser. 01-1, 6.817s, 2011	85,025
15,000	American Airlines, Inc. pass-through certificates Ser. 99-1, 7.024s, 2009	15,300
170,000	Calair, LLC/Calair Capital Corp. company guaranty 8 1/8s, 2008	153,000
60,000	Continental Airlines, Inc. pass-through certificates Ser. D, 7.568s, 2006	50,400
70,000	Delta Air Lines, Inc. pass-through certificates Ser. 00-1, 7.779s, 2005	63,578
46,095	Delta Air Lines, Inc. pass-through certificates Ser. 02-1, 7.779s, 2012	40,794
115,000	Evergreen International Aviation, Inc. 144A sec. notes 12s, 2010	92,000
200,000	Kansas City Southern Railway Co. company guaranty 9 1/2s, 2008	224,250
30,000	Kansas City Southern Railway Co. company guaranty 7 1/2s, 2009	31,200
120,000	Navistar International Corp. company guaranty Ser. B, 9 3/8s, 2006	129,900
25,000	Navistar International Corp. sr. notes Ser. B, 8s, 2008	25,500
10,000	Northwest Airlines, Inc. company guaranty 8.52s, 2004	10,050
120,000	Northwest Airlines, Inc. company guaranty 7 5/8s, 2005	113,400
67,292	NWA Trust sr. notes Ser. A, 9 1/4s, 2012	68,975
40,000	Travel Centers of America, Inc. company guaranty 12 3/4s, 2009	46,000
103,957	US Air, Inc. pass-through certificates Ser. 93-A3, 10 3/8s, 2013 (In default) (NON)	31,187

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1,262,159

Utilities & Power (7.6%)

13,000	AES Corp. (The) sr. notes 8 7/8s, 2011	13,585
4,000	AES Corp. (The) sr. notes 8 3/4s, 2008	4,140
130,000	AES Corp. (The) 144A sec. notes 9s, 2015	141,700
190,000	AES Corp. (The) 144A sec. notes 8 3/4s, 2013	205,675
170,000	Allegheny Energy Supply 144A bonds 8 1/4s, 2012	159,800
65,000	Allegheny Energy Supply 144A sec. notes 10 1/4s, 2007	67,275
45,000	Allegheny Energy, Inc. notes 7 3/4s, 2005	45,338
70,000	Avon Energy Partners Holdings 144A notes 7.05s, 2007 (United Kingdom)	65,100
5,000	Avon Energy Partners Holdings 144A notes 6.46s, 2008 (United Kingdom)	4,502
70,000	Calpine Canada Energy Finance company guaranty 8 1/2s, 2008 (Canada)	51,625
10,000	Calpine Corp. sr. notes 8 3/4s, 2007	7,950
15,000	Calpine Corp. sr. notes 8 5/8s, 2010	10,913
110,000	Calpine Corp. sr. notes 8 1/2s, 2011	80,025
145,000	Calpine Corp. sr. notes 7 7/8s, 2008	105,850
440,000	Calpine Corp. 144A sec. notes 8 1/2s, 2010	408,100
50,000	CenterPoint Energy Resources Corp. debs. 6 1/2s, 2008	53,362
25,000	CenterPoint Energy Resources Corp. 144A notes 7 7/8s, 2013	28,308
25,000	CMS Energy Corp. pass-through certificates 7s, 2005	25,375
130,000	CMS Energy Corp. sr. notes 8.9s, 2008	137,475
40,000	CMS Energy Corp. sr. notes 8 1/2s, 2011	41,700
30,000	CMS Energy Corp. 144A sr. notes 7 3/4s, 2010	30,675
55,000	Dynegy Holdings, Inc. sr. notes 6 7/8s, 2011	47,575
310,000	Dynegy Holdings, Inc. 144A sec. notes 10 1/8s, 2013	341,775
30,000	Dynegy-Roseton Danskamme company guaranty Ser. A, 7.27s, 2010	29,700
35,000	Dynegy-Roseton Danskamme company guaranty Ser. B, 7.67s, 2016	31,850
45,000	Edison Mission Energy sr. notes 10s, 2008	45,450
60,000	Edison Mission Energy sr. notes 9 7/8s, 2011	60,600
55,000	Edison Mission Energy sr. notes 7.73s, 2009	51,150
115,000	El Paso Corp. sr. notes 7 3/8s, 2012	97,750
90,000	El Paso Corp. sr. notes Ser. MTN, 7 3/4s, 2032	70,650
30,000	El Paso Natural Gas Co. debs. 8 5/8s, 2022	29,550

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30,000	El Paso Natural Gas Co. sr. notes Ser. A, 7 5/8s, 2010	29,775
155,000	El Paso Production Holding Co. 144A sr. notes 7 3/4s, 2013	148,025
20,000	Gemstone Investor, Ltd. 144A company guaranty 7.71s, 2004	20,025
35,000	Kansas Gas & Electric debs. 8.29s, 2016	36,268
64,151	Midland Funding II Corp. debs. Ser. A, 11 3/4s, 2005	69,283
140,000	Mirant Americas Generation, Inc. sr. notes 7.2s, 2008 (In default) (NON)	118,300
45,000	Mission Energy Holding Co. sec. notes 13 1/2s, 2008	41,175
115,000	Nevada Power Co. 144A 2nd mtge. 9s, 2013	125,638
60,000	Northwest Pipeline Corp. company guaranty 8 1/8s, 2010	66,450
100,000	Orion Power Holdings, Inc. sr. notes 12s, 2010	116,500
70,000	Pacific Gas & Electric Co. 144A sr. notes 10 3/8s, 2005 (In default) (NON)	71,050
140,000	PG&E Corp. 144A sec. notes 6 7/8s, 2008	149,100
25,000	PG&E Gas Transmission Northwest sr. notes 7.1s, 2005	25,500
105,000	PSEG Energy Holdings, Inc. notes 7 3/4s, 2007	108,281
85,000	SEMCO Energy, Inc. 144A sr. notes 7 3/4s, 2013	88,400
160,000	Southern California Edison Co. 1st mtge. 8s, 2007	181,400
20,000	Southern California Edison Co. notes 6 3/8s, 2006	20,950
55,000	Teco Energy, Inc. notes 10 1/2s, 2007	64,006
35,000	Teco Energy, Inc. notes 7.2s, 2011	36,269
90,000	Teco Energy, Inc. notes 7s, 2012	92,138
65,000	Teco Energy, Inc. sr. notes 7 1/2s, 2010	68,981
15,000	Tennessee Gas Pipeline Co. debs. 7s, 2028	13,800
105,000	Utilicorp Canada Finance Corp. company guaranty 7 3/4s, 2011 (Canada)	98,438
105,000	Western Resources, Inc. sr. notes 9 3/4s, 2007	120,258
25,000	Williams Cos., Inc. (The) notes 8 3/4s, 2032	26,313
25,000	Williams Cos., Inc. (The) notes 8 1/8s, 2012	27,000
95,000	Williams Cos., Inc. (The) notes 6 1/2s, 2006	97,850
130,000	Williams Cos., Inc. (The) notes Ser. A, 6 3/4s, 2006	133,900
120,000	Williams Cos., Inc. (The) sr. notes 8 5/8s, 2010	132,750
65,000	Williams Holdings Of Delaware notes 6 1/2s, 2008	65,975
298,930	York Power Funding 144A notes 12s, 2007 (Cayman Islands) (In default)	

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(NON)	209,251

	5,097,572

Total Corporate bonds and notes (cost \$57,073,061)	\$57,350,623

Common stocks (2.2%) (a)

Number of shares	Value
384 Alderwoods Group, Inc. (NON)	\$3,402
180,000 AMRESKO Creditor Trust (acquired various dates from 5/5/99 to 5/10/00, cost \$38,828) (NON) (RES) (R)	5,040
30 Arch Wireless, Inc. Class A (NON)	524
324 Archibald Candy Corp. (NON)	923
4,427 Aurora Foods, Inc. (NON)	71
626 Birch Telecom, Inc. (NON)	6
84 Comdisco Holding Co., Inc. (NON)	4,452
505,286 Contifinancial Corp. Liquidating Trust Units	7,579
3,010 Covad Communications Group, Inc. (NON)	12,040
105 Crown Castle International Corp. (NON)	1,303
3,325 Globix Corp. (NON)	15,628
2,471 Jasper Energy 144A (NON)	154
19 Leucadia National Corp.	807
45 Leucadia National Corp. (Rights) (NON)	1
3,334 Lodgian, Inc. (NON)	20,804
20,000 Loewen Group International, Inc. (NON)	2
453 Mariner Health Care, Inc. (NON)	6,433
313 Mediq, Inc. (NON)	31
175 Metrocall Holdings, Inc. (NON)	8,663
5 Microcell Telecommunications, Inc. Class A (Canada) (NON)	66
631 Microcell Telecommunications, Inc. Class B (Canada) (NON)	8,981
9,928 Millennium Chemicals, Inc.	107,421
160,000 Morrison Knudsen Corp. (NON)	22,400
14,327 Pioneer Cos., Inc. (NON)	75,217
839 Polymer Group, Inc. Class A (NON)	6,083
576 PSF Group Holdings, Inc. 144A Class A (NON)	950,054
31 Quorum Broadcast Holdings, Inc. Class E (acquired 5/15/01, cost \$30,765) (NON) (RES)	1,653
102 RCN Corp. (NON)	104
61,158 Sirius Satellite Radio, Inc. (NON)	125,985
10 Sterling Chemicals, Inc. (NON)	210
178 Sun Healthcare Group, Inc. (NON)	1,291
259,509 VFB LLC (acquired various dates from 12/21/99 to 10/27/00, cost \$214,226) (NON) (RES)	49,307
40,417 VS Holdings, Inc. (NON)	30,313
392 Washington Group International, Inc. (NON)	13,140
506 York Research Corp. 144A (NON)	32

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Total Common stocks
(cost \$4,887,714) \$1,480,120

Preferred stocks (2.1%) (a)	Value
Number of shares	

5,279 CSC Holdings, Inc. Ser. M, \$11.125 cum. pfd.	\$556,935
66,000 Diva Systems Corp. 144A Ser. D, zero % pfd.	660
1,828 Doane Pet Care Co. \$7.125 pfd.	78,604
87 Dobson Communications Corp. 13.00% pfd. (PIK)	92,220
80 First Republic Capital Corp. 144A 10.50% pfd.	82,800
2,152 iStar Financial, Inc. \$1.95 cum. pfd.	54,338
2,814 Lodgian, Inc. Ser. A, \$7.06 cum. pfd. (PIK)	57,687
21 Metrocall Holdings, Inc. Ser. A, 15.00% cum. pfd.	240
635 Microcell Telecommunications, Inc. \$1.35 pfd. (Canada)	8,427
7,844 North Atlantic Trading Co. 12.00% pfd. (PIK)	133,348
1 NTL Europe, Ser. A, \$5.00 cum. pfd.	5
17 Paxson Communications Corp. 13.25% cum. pfd. (PIK)	154,700
100 PRIMEDIA, Inc. Ser. F, \$9.20 cum. pfd.	9,100
255 Rural Cellular Corp. 12.25% pfd. (PIK)	160,650

Total Preferred stocks (cost \$1,882,129)	\$1,389,714

Foreign government bonds and notes (0.7%) (a)	Value
Principal amount	

\$100,000 Bulgaria (Republic of) 144A bonds 8 1/4s, 2015	\$116,050
35,000 Colombia (Republic of) bonds 10 3/8s, 2033	35,753
25,000 Colombia (Republic of) bonds Ser. NOV, 9 3/4s, 2009	26,850
30,000 Colombia (Republic of) notes 10 3/4s, 2013	33,150
115,000 Ecuador (Republic of) bonds stepped-coupon Ser. REGS, 7s (8s, 8/15/04), 2030 (STP)	80,213
60,000 Russia (Federation of) unsub. stepped-coupon 5s (7 1/2s, 3/31/07), 2030 (STP)	56,790
120,000 United Mexican States bonds Ser. MTN, 8.3s, 2031	132,300

Total Foreign government bonds and notes (cost \$410,087)	\$481,106

Convertible bonds and notes (0.6%) (a)	Value
Principal amount	

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\$20,000	AES Corp. (The) cv. sub. notes 4 1/2s, 2005	\$19,250
85,000	Amkor Technologies, Inc. cv. notes 5 3/4s, 2006	86,063
40,000	CenterPoint Energy, Inc. 144A cv. sr. notes 3 3/4s, 2023	42,450
490,000	Cybernet Internet Services International, Inc. 144A cv. sr. disc. notes stepped-coupon zero % (13s, 8/15/04) 2009 (Denmark) (In default) (NON) (STP)	490
45,000	Kulicke & Soffa Industries, Inc. cv. sub. notes 4 3/4s, 2006	46,013
3,000	Millicom International Cellular SA 144A cv. bonds zero %, 2006 (Luxembourg) (PIK)	16,800
145,000	Nextel Communications, Inc. cv. sr. notes 6s, 2011	169,650
5,000	Tower Automotive, Inc. cv. sub. notes 5s, 2004	4,925

	Total Convertible bonds and notes (cost \$735,635)	\$385,641
Units (0.5%) (a)		
Number of units		Value

550,000	Australis Media, Ltd. units 15 3/4s, 2003 (Australia) (In default) (DEF) (NON)	\$55
205,000	HMP Equity Holdings Corp. units zero %, 2008	108,650
35,000	Tom Brown Inc. units 7 1/4s, 2013	36,575
446	XCL equity units	197,851

	Total Units (cost \$1,512,747)	\$343,131
Convertible preferred stocks (0.3%) (a)		
Number of shares		Value

1,537	Crown Castle International Corp. \$3.125 cv. pfd.	\$68,973
332	Knology, Inc. 144A Ser. D, zero % cv. pfd.	332
917	Omnicare, Inc. \$2.00 cv. pfd.	55,479
3,069	Telex Communications, Inc. zero % cv. pfd. (In default) (NON)	3,069
1,160	Williams Cos., Inc. (The) 144A \$2.75 cv. pfd.	72,355

	Total Convertible preferred stocks (cost \$166,728)	\$200,208
Brady bonds (0.2%) (a)		
Principal amount		Value

\$51,700	Peru (Republic of) bonds Ser. PDI, 5s, 2017	\$47,564
30,000	Peru (Republic of) coll. FLIRB 4 1/2s, 2017 (acquired various dates from 5/14/02 to 8/23/02, cost \$19,969) (RES)	26,100

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60,000 Peru (Republic of) coll. FLIRB Ser. 20YR, 4 1/2s, 2017		52,200
Total Brady bonds (cost \$105,318)		\$125,864
Asset-backed securities (0.1%) (a) (cost \$60,000)		
Principal amount		Value

\$60,000 Verdi Synthetic CLO 144A Ser. 1A, Class E2, 11.15s, 2010		\$60,000
Warrants (--%) (a) (NON)		
Number of warrants	Expiration date	Value

200 Dayton Superior Corp. 144A	6/15/09	\$1
1 Doe Run Resources Corp. 114A	12/31/12	1
180 Insilco Holding Co.	8/15/08	1
81 MDP Acquisitions PLC 144A (Ireland)	10/1/13	4,050
391 Microcell Telecommunications (Canada)	5/1/08	851
234 Microcell Telecommunications (Canada)	5/1/05	338
70 Mikohn Gaming Corp. 144A	8/15/08	1
8 NTL. Inc	1/13/11	60
80 Pliant Corp. 144A	6/1/10	1
84 Solutia, Inc. 144A	7/15/09	1,512
447 Sun Healthcare Group, Inc.	2/28/05	1
120 Travel Centers of America, Inc. 144A	5/1/09	1,200
350 Ubiquitel, Inc. 144A	4/15/10	4
10 Versatel Telecom NV (Netherlands)	5/15/08	1
242 Washington Group International, Inc. Ser. A	1/25/06	2,360
276 Washington Group International, Inc. Ser. B	1/25/06	1,973
148 Washington Group International, Inc. Ser. C	1/25/06	888
190 XM Satellite Radio Holdings, Inc. 144A	3/15/10	6,835
Total Warrants (cost \$79,427)		\$20,078
Short-term investments (6.0%) (a)		
Principal amount		Value

\$119,845 Short-term investments held as collateral for loaned securities with yields ranging from 1.00% to 1.10% and due dates ranging from December 1, 2003 to January 16, 2004 (d)		\$119,804
3,899,676 Short-term investments held in Putnam commingled cash account with yields ranging from 1.01% to 1.11% and due dates ranging from December 1, 2003 to January 23, 2004 (d)		3,899,676
Total Short-term investments (cost \$4,019,480)		\$4,019,480
Total Investments (cost \$70,932,326)		\$65,855,965

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- (a) Percentages indicated are based on net assets of \$66,691,902.
- (DEF) Security is in default of principal and interest.
- (NON) Non-income-producing security.
- (STP) The interest rate and date shown parenthetically represent the new interest rate to be paid and the date the fund will begin accruing interest at this rate.
- (RES) Restricted, excluding 144A securities, as to public resale. The total market value of restricted securities held at November 30, 2003 was \$513,758 or 0.8% of net assets.
- (PIK) Income may be received in cash or additional securities at the discretion of the issuer.
- (R) Real Estate Investment Trust.
- (d) See Note 1 to the financial statements.

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.

FLIRB represents Front Loaded Interest Reduction Bond.

The rates shown on Floating Rate Notes (FRN) are the current interest rates at November 30, 2003.

Forward currency contracts to buy at November 30, 2003 (Unaudited)
(aggregate face value \$33,698)

	Market value	Aggregate face value	Delivery date	Unrealized appreciation
British Pound	\$34,111	\$33,689	3/17/04	\$413

Forward currency contracts to sell at November 30, 2003 (Unaudited)
(aggregate face value \$620,979)

	Market value	Aggregate face value	Delivery date	Unrealized depreciation
Euro	\$677,266	\$620,979	12/17/03	\$(56,287)

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

Statement of assets and liabilities
November 30, 2003 (Unaudited)

Assets

Investments in securities, at value, including \$118,554 of securities on loan (identified cost \$70,932,326) (Note 1)	\$65,855,965
--	--------------

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Cash	36,675

Dividends, interest and other receivables	1,275,292

Receivable for securities sold	577,086

Receivable for open forward currency contracts (Note 1)	413

Receivable for closed forward currency contracts (Note 1)	3,073

Total assets	67,748,504

Liabilities	

Distributions payable to shareholders	405,335

Payable for securities purchased	244,402

Payable for compensation of Manager (Note 2)	123,740

Payable for investor servicing and custodian fees (Note 2)	34,423

Payable for Trustee compensation and expenses (Note 2)	25,460

Payable for administrative services (Note 2)	364

Payable for open forward currency contracts (Note 1)	56,287

Payable for closed forward currency contracts (Note 1)	4,191

Collateral on securities loaned, at value (Note 1)	119,804

Other accrued expenses	42,596

Total liabilities	1,056,602

Net assets	\$66,691,902

Represented by	

Paid-in capital (Note 1)	\$105,237,159

Distributions in excess of net investment income (Note 1)	(1,353,329)

Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(32,061,196)

Net unrealized depreciation of investments and assets and liabilities in foreign currencies	(5,130,732)

Total -- Representing net assets applicable to capital shares outstanding	\$66,691,902

Computation of net asset value	

Net asset value per share (\$66,691,902 divided by 7,507,107 shares)	\$8.88

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

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Statement of operations
Six months ended November 30, 2003 (Unaudited)

Investment income:

Interest	\$2,854,502
Dividends	95,239
Securities lending	471
Total investment income	2,950,212

Expenses:

Compensation of Manager (Note 2)	246,285
Investor servicing and custodian fees (Note 2)	77,456
Trustee compensation and expenses (Note 2)	5,460
Administrative services (Note 2)	2,030
Other	68,268
Total expenses	399,499
Expense reduction (Note 2)	(564)
Net expenses	398,935
Net investment income	2,551,277
Net realized gain on investments (Notes 1 and 3)	47,269
Net realized gain on foreign currency transactions (Note 1)	3,590
Net unrealized depreciation of assets and liabilities in foreign currencies during the period	(32,438)
Net unrealized appreciation of investments during the period	3,316,642
Net gain on investments	3,335,063
Net increase in net assets resulting from operations	\$5,886,340

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

Statement of changes in net assets

	Six months ended November 30 2003*	Year ended May 31 2003
Increase (decrease) in net assets		
Operations:		
Net investment income	\$2,551,277	\$5,448,345

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Net realized gain (loss) on investments and foreign currency transactions	50,859	(6,483,586)
<hr/>		
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	3,284,204	6,451,978
<hr/>		
Net increase in net assets resulting from operations	5,886,340	5,416,737
<hr/>		
Distributions to shareholders: (Note 1)		
<hr/>		
From net investment income	(2,612,161)	(5,721,276)
<hr/>		
From return of capital	--	(103,566)
<hr/>		
Total increase (decrease) in net assets	3,274,179	(408,105)
<hr/>		
Net assets		
<hr/>		
Beginning of period	63,417,723	63,825,828
<hr/>		
End of period (including distributions in excess of net investment income of \$1,353,329 and \$1,292,445, respectively)	\$66,691,902	\$63,417,723
<hr/>		
Number of fund shares		
<hr/>		
Shares outstanding at beginning and end of period	7,507,107	7,507,107
<hr/>		

* 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 Nov. 30 (Unaudited)			Year ended May 31	
Per-share operating performance	2003	2003	2002	2001	2000
<hr/>					
Net asset value, beginning of period	\$8.45	\$8.50	\$9.49	\$10.91	\$12.30
<hr/>					
Investment operations:					
<hr/>					
Net investment income (a)	.34	.73	.86	1.16	1.16
<hr/>					
Net realized and unrealized gain (loss) on investments	.44	(.01)	(.86)	(1.41)	(1.27)
<hr/>					

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Total from investment operations	.78	.72	-- (d)	(.25)	(.11)
Less distributions:					
From net investment income	(.35)	(.76)	(.87)	(1.17)	(1.21)
From net realized gain on investments	--	--	--	--	--
From return of capital	--	(.01)	(.12)	--	(.07)
Total distributions	(.35)	(.77)	(.99)	(1.17)	(1.28)
Net asset value, end of period	\$8.88	\$8.45	\$8.50	\$9.49	\$10.91
Market price, end of period	\$8.29	\$9.02	\$9.48	\$10.80	\$10.19
Total return at market price (%) (b)	(4.26) *	4.15	(2.91)	18.34	(15.61)

Ratios and supplemental data

Net assets, end of period (in thousands)	66,692	\$63,418	\$63,826	\$71,211	\$81,898	\$
Ratio of expenses to average net assets (%) (c)	.61*	1.22	1.19	1.14	1.08	
Ratio of net investment income to average net assets (%)	3.92*	9.17	9.69	11.41	9.92	
Portfolio turnover (%)	30.76*	73.72	73.39	97.63	97.22	

* Not annualized.

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

(b) Total return assumes dividend reinvestment.

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

(d) Amount represents less than \$0.01 per share.

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

Notes to financial statements
November 30, 2003 (Unaudited)

Note 1
Significant accounting policies

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

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

A) Security valuation Market quotations are not considered to be readily available for certain debt obligations; such investments are valued at fair value on the basis of valuations furnished by an independent pricing service or dealers, approved by the Trustees. Such services or dealers determine valuations for normal institutional-size trading units of such securities using methods based on market transactions for comparable securities and various relationships, generally recognized by institutional traders, between securities. 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. For foreign investments, if trading or events occurring in other markets after the close of the principal exchange in which the foreign investments 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) 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 date except that certain dividends from foreign securities are recognized as soon as the fund is informed of the

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ex-dividend date. Non-cash dividends, if any, are recorded at the fair market value of the securities received. All premiums/ discounts are amortized/accreted on a yield-to-maturity basis.

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

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

F) Security lending The fund may lend securities, through its agents, to qualified borrowers in order to earn additional income. The loans are collateralized by cash and/or securities in an amount at least equal to the market value of the securities loaned. The market value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. The risk of borrower default will be borne by the fund's agents; the fund will bear the risk of loss with respect to the investment of the cash collateral. Income from securities lending is included in investment income on the Statement of operations. At November 30, 2003, the value

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of securities loaned amounted to \$118,554. The fund received cash collateral of \$119,804, which is pooled with collateral of other Putnam funds into 32 issuers of high-grade short-term investments.

G) Federal taxes It is the policy of the fund to distribute all of its taxable income within the prescribed time and otherwise comply with the provisions of the Internal Revenue Code applicable to regulated investment companies. It is also the intention of the fund to distribute an amount sufficient to avoid imposition of any excise tax under Section 4982 of the Internal Revenue Code of 1986, as amended. Therefore, no provision has been made for federal taxes on income, capital gains or unrealized appreciation on securities held nor for excise tax on income and capital gains.

At May 31, 2003, the fund had a capital loss carryover of \$30,180,445 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
\$2,584,483	May 31, 2007
4,168,119	May 31, 2008
3,778,275	May 31, 2009
8,385,000	May 31, 2010
11,264,568	May 31, 2011

Pursuant to federal income tax regulations applicable to regulated investment companies, the fund has elected to defer to its fiscal year ending May 31, 2004 \$1,867,482 of losses recognized during the period November 1, 2002 to May 31, 2003.

The aggregate identified cost on a tax basis is \$71,338,824, resulting in gross unrealized appreciation and depreciation of \$4,293,129 and \$9,775,988, respectively, or net unrealized depreciation of \$5,482,859.

H) Distributions to shareholders Distributions to shareholders from net investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. 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.

Note 2

Management fee, administrative services and other transactions

Putnam Management is paid for management and investment advisory services quarterly based on the average net assets of the fund. Such fee is based on 0.75% of the average weekly net assets.

The fund reimburses Putnam Management an allocated amount for the compensation and related expenses of certain officers of the fund and their staff who provide administrative services to the fund. The aggregate amount of all such reimbursements is determined annually by the Trustees.

Custodial functions for the fund's assets are provided by Putnam Fiduciary Trust Company (PFTC), a subsidiary of Putnam, LLC. Investor servicing agent functions are provided by Putnam Investor Services, a

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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 November 30, 2003, the fund's expenses were reduced by \$564 under these arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$530 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 November 30, 2003, cost of purchases and proceeds from sales of investment securities other than short-term investments aggregated \$20,450,909 and \$24,062,175, respectively. There were no purchases and sales of U.S. government obligations.

Note 4

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 are no longer employed by 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

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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 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

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:

	Votes for	Votes withheld
Jameson A. Baxter	6,597,140	221,608
Charles B. Curtis	6,592,590	226,158
John A. Hill	6,599,088	219,660
Ronald J. Jackson	6,598,140	220,608
Paul L. Joskow	6,602,440	216,308
Elizabeth T. Kennan	6,592,140	226,608
Lawrence J. Lasser*	6,601,440	217,308
John H. Mullin III	6,596,130	222,618
Robert E. Patterson	6,598,190	220,558
George Putnam, III	6,597,840	220,908
A.J.C. Smith	6,599,040	219,708
W. Thomas Stephens	6,600,730	218,018
W. Nicholas Thorndike	6,598,990	219,758

All tabulations are rounded to nearest whole number.

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

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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

Patricia C. Flaherty
Senior Vice President

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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

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Item 2. Code of Ethics:

Not applicable

Item 3. Audit Committee Financial Expert:

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Not applicable

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

Management Investment Companies: Not applicable

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 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:

(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

Michael T. Healy
Principal Accounting Officer

Date: January 23, 2004

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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: January 23, 2004

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

Charles E. Porter
Principal Financial Officer
Date: January 23, 2004

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

Steven D. Krichmar
Principal Financial Officer
Date: January 23, 2004