PUTNAM MANAGED HIGH YIELD TRUST
Form N-CSR
July 28, 2005

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:

ANNUAL REPORT ON PERFORMANCE AND OUTLOOK

5-31-05

[GRAPHIC OMITTED: WATCH]

[SCALE LOGO OMITTED]

From the Trustees

[GRAPHIC OMITTED: PHOTO OF JOHN A. HILL AND GEORGE PUTNAM, III]

John A. Hill and
George Putnam, III

Dear Fellow Shareholder:

During the period ended May 31, 2005, the Federal Reserve Board's series of gradual increases in the federal funds rate occupied investors' attention. The Fed's more restrictive monetary policy, along with high energy prices, has moderated the pace of the economic expansion. Recent reports show the economy is growing at a respectable rate of about 3.5% annually, but some investors believe that this pace cannot sustain corporate profits near their robust levels of late. This concern has held the stock market in check and focused attention on credit risk in the bond market, even as long-term bond yields remained low. Major credit rating agencies underscored market concerns in early May by downgrading bonds issued by Ford and General Motors. Amid the uncertainties of this environment, security selection takes on even greater importance and the in-depth, professional research and active management that mutual funds can provide makes them an intelligent choice for today's investors.

We want you to know that Putnam Investments' management team, under the leadership of Chief Executive Officer Ed Haldeman, continues to focus on investment performance and remains committed to putting the interests of shareholders first. In keeping with these goals, we are including additional disclosure about your fund's management team in this report. Following the Outlook for Your Fund, we provide manager compensation information that pertains to your fund. In addition, on page 13 of this report we provide information about the 2004 approval by the Trustees of your fund's management contract with Putnam.

We would also like to take this opportunity to announce the retirement of one of your fund's Trustees, Ronald J. Jackson, who has been an independent Trustee of the Putnam funds since 1996. We thank him for his service.

In the following pages, members of your fund's management team discuss the fund's performance, the strategies used to pursue the fund's investment objectives during the reporting period, and the team's outlook for the months ahead.

As always, we thank you for your continuing confidence in Putnam.

Respectfully yours,

/S/ JOHN A. HILL	/S/ GEORGE PUTNAM, III
John A. Hill Chairman of the Trustees	George Putnam, III President of the Funds

July 20, 2005

Report from Fund Management

Fund highlights

* For the 12 months ended May 31, 2005, Putnam Managed High Yield Trust had total returns of 10.44% at net asset value (NAV) and 8.43% at market price.

* The fund's primary benchmark, the JP Morgan Developed High Yield Index, returned 9.55% for the same period.

* The average return for the fund's Lipper category, High Current Yield Funds (closed-end), was 11.32%.

* The fund's monthly dividend was reduced to $0.049 per share, effective December 2004. See page 5 for details.

* See the Performance Summary beginning on page 10 for additional fund performance, comparative performance, and Lipper data.

Performance commentary

For the first seven months of its past fiscal year, Putnam Managed High Yield Trust benefited from solid economic growth, low inflation, declining corporate default rates, and declining long-term interest rates. In the latter five months, however, the market was more volatile and the fund's performance was essentially flat. Nevertheless, for the full fiscal year, the management team's successful security selection, emphasis on risk management, and diversification across a range of sectors and holdings enabled the fund to outperform its benchmark index, based on results at NAV (net asset value). Although the fund underperformed its Lipper peer group average, comparisons in this category can be difficult because the category contains only eight funds, some of which use leverage (which your fund is not permitted to use) in order to boost returns. It is important to note that a fund's performance at market price may differ from its results at NAV. Although market price performance generally reflects investment results, it may also be influenced by several other factors, including changes in investor perceptions of the fund or its investment advisor, market conditions, fluctuations in supply and demand for the fund's shares, and changes in fund distributions.

TOTAL RETURN FOR

PERIODS ENDED 5/31/05

(inception 6/25/93)	NAV	Market price
1 year	10.44%	8.43%
5 years	30.56	23.27
Annual average	5.48	4.27
10 years	79.77	57.46
Annual average	6.04	4.64
Annual average (life of fund)	6.15	4.44

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

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 bonds.

Market overview

Looking back over the past 12 months, it appears that the start of the 2005 calendar year marked a change in the high-yield bond market. From June through December 2004, high-yield bonds benefited from continued economic growth, declining default rates, and declining long-term interest rates that helped all bond sectors. These lower-rated bonds posted strong returns through December, reflecting investors' generally positive assessments of the creditworthiness of their issuers. Demand for high-yield bonds remained strong, driven both by new investments and by reinvestments created by bonds being called, tendered, and upgraded. Moreover, new issuance, while active, was far below the level necessary to satisfy the demand for high-yield bonds.

Beginning in March 2005, however, the high-yield market weakened amid concerns of a maturing credit cycle. In addition, at its meetings in January, February, and March, the Federal Reserve Board gradually changed its viewpoint to reflect an increased concern about inflation. The U.S. and international bond markets took this change as a signal that future rate increases could be more frequent and higher. All bond sectors sold off in response, but price declines in the high-yield market were among the steepest. In April and May, the market recovered, responding to news that first-quarter growth was lower than expected, but the recovery could not fully offset the previous declines.

MARKET SECTOR PERFORMANCE 12 MONTHS ENDED 5/31/05
Bonds
JP Morgan Developed High Yield Index (high-yield corporate

bonds)	9.55%
Lehman Aggregate Bond Index (broad bond market)	6.82%
Lehman GNMA Index (Government National Mortgage Association bonds)	6.47%
Citigroup Non-U.S. World Government Bond Index (international government bonds)	9.29%
Equities	
S&P 500 Index (broad stock market)	8.24%
Russell 2000 Index (small-company stocks)	9.82%
MSCI EAFE Index (international stocks)	14.62%
These indexes provide an overview of performance in different market sectors for the 12 months ended 5/31/05.	

Strategy overview

We continued to seek bonds from diverse sectors in our efforts to enhance the fund's performance while managing its risk exposure. Throughout much of the 2003 calendar year (prior to the beginning of the period covered by this report), we had increased the fund's holdings of bonds in the lower-quality tiers of the market -- namely, those with CCC ratings. These bonds had delivered particularly strong performance throughout 2003 and much of 2004. However, during the summer and fall of calendar 2004, we sought to selectively reduce exposure to this part of the market because of high valuations and a greater level of risk. We began repositioning assets into higher-quality B- and BB-rated bonds during the fall and winter months.

When the market declined in early 2005, the fund's performance was helped by this reduced exposure. However, the fund was not significantly underweighted, relative to its benchmark index, in these securities. Consequently, the high-yield performance in the first quarter 2005 still hurt the fund's returns, since it affected the entire high-yield universe.

The fund's strategy of remaining diversified across a range of industry sectors and holdings, while selectively underweighting and overweighting certain industries, was also beneficial during this period. For example, we had underweighted some specific industry sectors and holdings that significantly underperformed, such as transportation and forest products, which was helpful for relative performance -- especially during the market's decline during the latter months of the period.

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

TOP INDUSTRY WEIGHTINGS COMPARED

	as of 11/30/04	as of 5/31/05
Utilities and power	7.5%	7.5%
Chemicals	6.5%	5.5%

Publishing	4.7%	5.5%
Telecommunications	4.9%	4.6%
Oil and gas	3.5%	4.5%

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

How fund sectors and holdings affected performance

The fund's returns were helped both by the bonds and industry sectors we avoided or deemphasized and by those we focused on more heavily. In this mature stage of a credit cycle, the marginally higher potential returns from owning riskier bonds does not, we feel, justify their added risk. For example, the transportation and forest products sectors, which we had underweighted relative to the benchmark, were among the worst-performing sectors in the index, so our strategy helped relative returns. The fund was also underweighted in the technology sector, which contributed to relative performance. In the energy, media, and chemicals sectors, all of which performed well, the fund's overweight strategy proved valuable. In the utilities industry, bonds have benefited from increased demand for energy, low interest rates, and a favorable political climate in Washington.

[GRAPHIC OMITTED: TOP HOLDINGS]

TOP HOLDINGS
(Percent of fund's net assets as of 5/31/05)

1 Dow Jones CDX HY (3.5%)
144A pass-through certificates 7 3/4s, 2009
Other

2 PSF Group Holdings, Inc. (1.5%)
144A Class A common stock
Food

3 Qwest Corp. (0.8%)
144A notes 9 1/8s, 2012
Communications services

4 Nextel Communications, Inc. (0.7%)
Sr. notes 5.95s, 2014
Communications services

5 DPL, Inc. (0.6%)
Bonds 8 1/8s, 2031
Utilities and power

6 Qwest Communications
International, Inc. (0.6%)
144A sr. notes 8s, 2014
Communications services

7 CanWest Media, Inc. (Canada) (0.6%)
144A sr. sub. notes 8s, 2012
Publishing

8 Crown Euro Holdings SA
(France) (0.5%)
Sec. sr. notes 10 7/8s, 2013
Capital goods

9 Legrand SA (France) (0.5%)
Debs. 8 1/2s, 2025
Capital goods

10 NRG Energy, Inc. (0.5%)
144A sr. sec. notes 8s, 2013
Utilities and power

Footnote reads:
The fund's holdings will change over time.

Several holdings made significant contributions. In the utilities sector, Williams Companies, a large natural gas company serving the northwestern United States, California, Rocky Mountain, Gulf Coast, and Eastern Seaboard markets, performed well due to significant increases in natural gas prices. The company also benefited from management's focus on balance sheet improvements, which involved focusing on its core pipeline business, selling nonproductive assets, and paying down debt. In the energy sector, El Paso Corporation, a natural gas company, also made a positive contribution. El Paso owns North America's largest natural gas pipeline system and is one of this continent's largest independent natural gas providers. In the chemicals industry, the fund's investments in Huntsman International, a major producer of basic chemicals and petrochemicals like ethylene and propylene, helped returns. Although energy prices were high, this cyclical sector continued to benefit from solid demand.

Among the detractors from performance during the period were securities issued by Icon Health and Fitness, which manufactures equipment for the health and fitness industry, and Paxson Communications, a large broadcast television station group and owner of PAX TV, a television channel that reaches households via broadcast, cable, and satellite networks. Icon Fitness had disappointing financial results due to higher steel costs and weak sales in some product lines, while Paxson had poor results as hoped-for sales of some of its assets did not transpire. We continue to hold Icon and Paxson because we believe the bonds are attractively valued. Charter Communi cations, a cable TV company, also detracted from results. We have kept Charter bonds in the portfolio because we consider the company still attractively valued among cable companies.

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

Fund's dividend reduced

Within the high-yield universe, yields are 120 basis points lower than they were at 5/31/04. In order to balance attractive income with overall credit quality, the team reduced exposure to the lowest-rated, highest-yielding sectors, further reducing the portfolio's earnings. To reflect this shift, your fund's monthly dividend was reduced from $0.054 per share to $0.049 per share, effective with the December 2004 payment.

The outlook for your fund

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

We believe the high-yield market is in the latter stages of a general credit recovery, which began near the end of 2002. Current market valuations are reasonable. We continue to employ the resources of our research staff to avoid owning deteriorating, or problematic bonds, while remaining on the alert to capitalize on any market downswings that may present attractive buying opportunities. Strategically, we will continue to seek ways to reduce the riskier holdings in the portfolio, especially those with CCC ratings, and replace them with higher-quality bonds, such as those with BB and BBB ratings.

While we don't expect to see the kind of robust returns from high-yield bonds that occurred in 2003 and 2004, we believe this mature stage of the high-yield recovery has the potential to continue. Obviously we can't predict how long it will be until the cycle changes, but given past history, if the economy shows moderate growth with relatively low inflation, helping corporations to produce healthy cash flows, we believe the potential exists for high-yield bonds to produce solid positive returns over the next 6 to 12 months. That being said, we will continue to monitor economic and market events and make adjustments to the portfolio that we deem necessary.

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. Mutual funds that invest in bonds are subject to certain risks, including interest-rate risk, credit risk, and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. The fund's shares trade on a stock exchange at market prices, which may be lower than the fund's net asset value.

Your fund's management

Your fund is managed by the members of the Putnam Core Fixed-Income High-Yield Team. Paul Scanlon is the Portfolio Leader and Robert Salvin is a Portfolio Member of your fund. The Portfolio Leader and Portfolio Member coordinate the team's management of the fund.

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

Fund ownership

The table below shows how much the fund's current Portfolio Leader and Portfolio Member have invested in the fund (in dollar ranges). Information shown is as of May 31, 2005, and May 31, 2004.

FUND PORTFOLIO LEADER AND PORTFOLIO MEMBER						
		$1 -	$10,001 -	$50,001-	$100,001 -	$500,001 -

	Year	$0	$10,000	$50,000	$100,000	$500,000	$1,000,000
Paul Scanlon	2005	*					
Portfolio Leader	2004	*					
Robert Salvin	2005	*					
Portfolio Member	N/A						

N/A indicates the individual was not a Portfolio Leader or Portfolio Member as of 5/31/04.

Fund manager compensation

The total 2004 fund manager compensation that is attributable to your fund is approximately $20,000. This amount includes a portion of 2004 compensation paid by Putnam Management to the fund managers listed in this section for their portfolio management responsibilities, calculated based on the fund assets they manage taken as a percentage of the total assets they manage. The compensation amount also includes a portion of the 2004 compensation paid to the Chief Investment Officer of the team and the Group Chief Investment Officer of the fund's broader investment category for their oversight responsibilities, calculated based on the fund assets they oversee taken as a percentage of the total assets they oversee. This amount does not include compensation of other personnel involved in research, trading, administration, systems, compliance, or fund operations; nor does it include non-compensation costs. These percentages are determined as of the fund's fiscal period-end. For personnel who joined Putnam Management during or after 2004, the calculation reflects annualized 2004 compensation or an estimate of 2005 compensation, as applicable.

Other Putnam funds managed by the Portfolio Leader and Portfolio Member

Paul Scanlon is also a Portfolio Leader of Putnam Floating Rate Income Fund, Putnam High Yield Advantage Fund, and Putnam High Yield Trust. He is also a Portfolio Member of Putnam Diversified Income Trust, Putnam Master Intermediate Income Trust, and Putnam Premier Income Trust.

Robert Salvin is also a Portfolio Member of Putnam High Income Bond Fund, Putnam High Yield Advantage Fund, and Putnam High Yield Trust.

Paul Scanlon and Robert Salvin may also manage other accounts and variable trust funds advised by Putnam Management or an affiliate.

Changes in your fund's Portfolio Leader and Portfolio Members

During the year ended May 31, 2005, Paul Scanlon became Portfolio Leader and Robert Salvin became a Portfolio Member of your fund. These changes followed the departure of Portfolio Leader Stephen Peacher and Portfolio Member Rosemary Thomsen from your fund's management team, as well as the departure of Portfolio Member Norman Boucher for another position at Putnam.

Paul Scanlon joined Putnam in 1999. Currently, he is Team Leader, U.S. High Yield, and in the past five years, his previous positions at Putnam have included Portfolio Manager and Analyst. Robert Salvin joined Putnam in 2000. Currently, he is a Portfolio Manager. His previous positions at Putnam have included Analyst and Equity Capital Market Specialist.

Fund ownership

The table below shows how much the members of Putnam's Executive Board have invested in the fund (in dollar ranges). Information shown is as of May 31, 2005, and May 31, 2004.

PUTNAM EXECUTIVE BOARD

	Year	$0	$1 – $10,000	$10,001 – $50,000	$50,001– $100,000	$100,001 and over
Philippe Bibi	2005	*				
Chief Technology Officer	2004	*				
John Boneparth	2005	*				
Head of Global Institutional Mgmt	2004	*				
Joshua Brooks	2005	*				
Deputy Head of Investments	N/A					
Kevin Cronin	2005	*				
Head of Investments	2004	*				
Charles Haldeman, Jr.	2005		*			
President and CEO	2004	*				
Amrit Kanwal	2005	*				
Chief Financial Officer	2004	*				
Steven Krichmar	2005	*				
Chief of Operations	2004	*				
Francis McNamara, III	2005	*				
General Counsel	2004	*				
Richard Monaghan	2005	*				
Head of Retail Management	2004	*				
Richard Robie, III	2005	*				
Chief Administrative Officer	2004	*				
Edward Shadek	2005	*				
Deputy Head of Investments	N/A					

N/A indicates the individual was not a member of Putnam's Executive Board as of 5/31/04.

Performance summary

This section shows your fund's performance during its fiscal year, which ended May 31, 2005. In accordance with regulatory requirements, we also include performance for the most current calendar quarter-end. Performance should always be considered in light of a fund's investment strategy. Data represents past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return, net asset value, and market price will fluctuate and you may have a gain or a loss when you sell your shares.

TOTAL RETURN AND COMPARATIVE INDEX RESULTS FOR PERIODS ENDED 5/31/05

	NAV	Market price	JP Morgan Developed High Yield Index*	Lipper High Current Yield Funds (closed-end) category average+
1 year	10.44%	8.43%	9.55%	11.32%
5 years	30.56	23.27	46.78	33.53
Annual average	5.48	4.27	7.98	5.83
10 years	79.77	57.46	101.34	90.09
Annual average	6.04	4.64	7.25	6.50
Annual average Life of fund (since 6/25/93)	6.15	4.44	--	6.81

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

Index and Lipper results should be compared to fund performance at net asset value. Lipper calculations for reinvested dividends may differ from actual performance.

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

+ Over the 1-, 5-, and 10-year periods ended 5/31/05, there were 8, 4, and 4 funds, respectively, in this Lipper category.

PRICE AND DISTRIBUTION INFORMATION 12 MONTHS ENDED 5/31/05

Distributions (number)	12
Income	$0.618
Capital gains	--
Total	$0.618

Share value:	NAV	Market price
5/31/04	$8.82	$7.92
5/31/05	9.04	7.97
Current return (end of period)		
Current dividend rate 1	6.50%	7.38%

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

TOTAL RETURN FOR PERIODS ENDED 6/30/05 (MOST RECENT CALENDER QUARTER)

	NAV	Market price
1 year	10.70%	12.75%
5 years	30.68	22.77
Annual average	5.50	4.19
10 years	81.55	61.82
Annual average	6.14	4.93
Annual average Life of fund (since 6/25/93)	6.25	4.72

Terms and definitions

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

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

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

Comparative indexes

Citigroup Non-U.S. World Government Bond Index is an unmanaged index of international investment-grade fixed-income securities.

JP Morgan Developed High Yield Index is an unmanaged index of high-yield fixed-income securities issued in developed countries.

Lehman Aggregate Bond Index is an unmanaged index of U.S. investment-grade fixed-income securities.

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

Morgan Stanley Capital International (MSCI) EAFE Index is an unmanaged index of equity securities from developed countries in Western Europe, the Far East, and Australasia.

Russell 2000 Index is an unmanaged index of the 2,000 smallest companies in the Russell 3000 Index.

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

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

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

Trustee approval of management contract

General conclusions

The Board of Trustees of the Putnam funds oversees the management of each fund and, as required by law, determines annually whether to approve the continuance of each fund's management contract with Putnam Management. In this regard the Board of Trustees, with the assistance of its Contract Committee consisting solely of Independent Trustees, requests and evaluates all information it deems reasonably necessary in the circumstances. Over the course of several months beginning in March and ending in June of 2004, the Contract Committee reviewed the information provided by Putnam Management and other information developed with the assistance of the Board's independent counsel and independent staff. The Contract Committee reviewed and discussed key aspects of this information with all of the Independent Trustees. Upon completion of this review, the Contract Committee recommended and the Independent Trustees approved the continuance of your fund's contract, effective July 1, 2004.

This approval was based on the following conclusions:

* That the fee schedule currently in effect for your fund represents reasonable compensation in light of the nature and quality of the services being provided to the fund, the fees paid by competitive funds and the costs incurred by Putnam Management in providing such service, and

* That such fee schedule represents an appropriate sharing between fund shareholders and Putnam Management of such economies of scale as may exist in the management of the fund at current asset levels.

These conclusions were based on a comprehensive consideration of all information provided to the Trustees and were not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below.

Model fee schedules and categories; total expenses

The Trustees, working in cooperation with Putnam Management, have developed and implemented a series of model fee schedules for the Putnam funds designed to ensure that each fund's management fee is consistent with the fees for similar funds in the Putnam complex and compares favorably with fees paid by competitive funds sponsored by other advisors. The Trustees reviewed the model fee schedule currently in effect for the fund, including fee levels and breakpoints, and the assignment of the fund to a particular fee category under this structure. The Trustees also reviewed comparative fee and expense information for competitive funds. The Trustees concluded that no changes should be made in the fund's current fee schedule at this time. The Trustees noted that expense ratios for a number of Putnam funds had been increasing recently as a result of declining net assets and the natural operation of fee breakpoints. They noted that such expense ratio increases were currently being controlled by expense limitations implemented in January 2004. They also noted that the competitive landscape regarding mutual fund fees may be changing as a result of fee reductions accepted by various other fund groups in connection with recent regulatory settlements and greater focus on fees and expenses in the mutual fund industry generally. The Trustees indicated an intention to monitor these developments closely.

Economies of scale

As noted above, the Trustees concluded that the fee schedule currently in effect for your fund represents an appropriate sharing of economies of scale at current asset levels. The Trustees indicated their intention to continue their ongoing consideration of economies of scale and in particular to consider further the possible operation of such economies in the event that a significant recovery in the equity markets or net fund sales were to raise asset levels substantially above current levels. In this regard, the Trustees noted that they had reviewed data relating to the substantial increase in asset levels of the Putnam funds that occurred during the years leading up to the market peak in 2000, the subsequent decline in assets and the resulting impact on revenues and expenses of Putnam Management. The Trustees also noted that recent declines in net assets in many Putnam funds, together with significant changes in the cost structure of Putnam Management have altered the economics of Putnam Management's business in significant ways. The Trustees concluded that they would monitor these changes carefully and evaluate the resulting impact on Putnam Management's economics and the sharing of economies of scale between the parties.

Investment performance

The quality of the investment process provided by Putnam Management represented a major factor in the Trustees' evaluation of the quality of services provided by Putnam Management under the Management Contracts. The Trustees recognized that a high quality investment process -- as measured by the experience and skills of the individuals assigned to the management of fund portfolios, the resources made available to such personnel, and in general the ability of Putnam Management to attract and retain high-quality personnel -- does not guarantee favorable investment results for every fund in every time period. The Trustees considered the investment performance of each fund over multiple time periods and considered information comparing the fund's performance with various benchmarks and with the performance of competitive funds. The Trustees noted the satisfactory investment performance of many Putnam funds.

They also noted the disappointing investment performance of certain funds in recent years and continued to discuss with senior management of Putnam Management the factors contributing to such under-performance and actions being taken to improve performance. The Trustees recognized that, in recent years, Putnam Management has made significant changes in its investment personnel and processes and in the fund product line in an effort to address areas of underperformance. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these changes and to evaluate whether additional remedial changes are warranted. As a general matter, the Trustees concluded that consultation between the Trustees and Putnam Management represents the most effective way to address investment performance problems. The Trustees believe that investors in the Putnam funds and their financial advisors have, as a general matter, effectively placed their trust in the Putnam organization, under the supervision of the funds' Trustees, to make appropriate decisions regarding the management of the funds. The Trustees believe that the termination of the Management Contract and engagement of a new investment adviser for under-performing funds, with all the attendant disruptions, would not serve the interests of fund shareholders at this time and would not necessarily provide any greater assurance of improved investment performance.

Brokerage and soft-dollar allocations; other benefits

The Trustees considered various potential benefits that Putnam Management may receive in connection with the services it provides under the Management Contract with your fund. These include principally benefits related to brokerage and soft-dollar allocations, which pertain mainly to funds investing in equity securities. The Trustees believe that soft-dollar credits and other potential benefits associated with the allocation of fund brokerage represent assets of the funds that should be used for the benefit of fund shareholders. The Trustees noted recent trends in the allocation of fund brokerage, including commission costs, the allocation of brokerage to firms that provide research services to Putnam Management, and the sources and application of available soft-dollar credits. Effective December 31, 2003, reflecting a decision made by the Trustees earlier that year, Putnam Management ceased allocating brokerage in connection with the sale of fund shares. In addition, in preparing its budget for commission allocations in 2004, Putnam Management voluntarily reduced substantially the allocation of brokerage commissions to acquire research services from third-party service providers. In light of evolving best practices in the mutual fund industry, the Trustees concluded that this practice should be further curtailed and possibly eliminated in the near future. The Trustees indicated that they would continue to monitor the allocation of the funds' brokerage to ensure that the principle of "best price and execution" remains paramount in the portfolio trading process.

Comparison of retail and institutional fee schedules

The information examined by the Trustees as part of the annual contract reviews included information regarding fees charged by Putnam Management and its affiliates to institutional clients such as defined benefit pension plans and college endowments. This information included comparison of such fees with fees charged to the Putnam funds, as well as a detailed assessment of the differences in the services provided to these two types of clients. The Trustees devoted special attention to these issues and reviewed recent articles by critics of mutual fund fees, articles by the ICI defending such fee differences, and relevant guidance provided by decisions of the courts. The Trustees observed, in this regard, that the differences in fee rates between institutional clients and mutual funds are by no means uniform when examined by individual asset sectors, suggesting that differences in the pricing of investment management services to these types of clients reflects to a substantial degree historical competitive forces operating in separate market places. In reaching their conclusions, the Trustees considered the fact that fee rates across all asset sectors are higher on average for mutual funds than for institutional clients, and also considered the differences between the services that Putnam provides to the Putnam funds and those that it provides to institutional clients of the firm.

Settlement of regulatory charges related to market timing

Finally, in reaching their conclusions, the Trustees considered all matters pertinent to the administrative charges filed against Putnam Management by the SEC and the Commonwealth of Massachusetts in October 2003 relating to market timing, the firm's settlement of those charges, and the conclusions and recommendations of the Trustees' Audit and Pricing Committee based on its review of these matters. The Trustees considered the actions taken by the owner of Putnam Management and its new senior management to terminate or discipline the individuals involved, to implement new compliance systems, to indemnify the funds against all costs and liabilities related to these matters, and otherwise to ensure that the interests of the funds and their shareholders are fully protected. The Trustees noted that, in addition to the settlements of the regulatory charges which will provide comprehensive restitution for any losses suffered by shareholders, the new senior management of Putnam Management has moved aggressively to control expense ratios of funds affected by market timing, to reduce charges to new investors, to improve disclosure of fees and expenses, and to emphasize the paramount role of investment performance in achieving shareholders' investment goals.

Other information for shareholders

Putnam's policy on confidentiality

In order to conduct business with our shareholders, we must obtain certain personal information such as account holders' addresses, telephone numbers, Social Security numbers, and the names of their financial advisors. We use this information to assign an account number and to help us maintain accurate records of transactions and account balances. It is our policy to protect the confidentiality of your information, whether or not you currently own shares of our funds, and in particular, not to sell information about you or your accounts to outside marketing firms. We have safeguards in place designed to prevent unauthorized access to our computer systems and procedures to protect personal information from unauthorized use. Under certain circumstances, we share this information with outside vendors who provide services to us, such as mailing and proxy solicitation. In those cases, the service providers enter into confidentiality agreements with us, and we provide only the information necessary to process transactions and perform other services related to your account. We may also share this information with our Putnam affiliates to service your account or provide you with information about other Putnam products or services. It is also our policy to share account information with your financial advisor, if you've listed one on your Putnam account. If you would like clarification about our confidentiality policies or have any questions or concerns, please don't hesitate to contact us at 1-800-225-1581, Monday through Friday, 8:30 a.m. to 7:00 p.m., or Saturdays from 9:00 a.m. to 5:00 p.m. Eastern Time.

Proxy voting

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2004, are available on the Putnam Individual Investor Web site, www.putnaminvestments.com/individual, and on the SEC's Web site, www.sec.gov. If you have questions about finding forms on the SEC's Web site, you may call the SEC at 1-800-SEC-0330. You may also obtain the Putnam funds' proxy voting guidelines and procedures at no charge by calling Putnam's Shareholder Services at 1-800-225-1581.

Fund portfolio holdings

The fund will file a complete schedule of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Shareholders may obtain the fund's Forms N-Q on the SEC's Web site at www.sec.gov. In addition, the fund's Forms N-Q may be reviewed and copied at the SEC's public reference room in Washington, D.C. You may call the SEC at 1-800-SEC-0330 for information about the SEC's Web site or the operation of the public reference room.

A guide to the financial statements

These sections of the report, as well as the accompanying Notes, preceded by the Report of Independent Registered Public Accounting Firm, 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 year.

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

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

Report of Independent Registered Public Accounting Firm

The Board of Trustees and Shareholders of
Putnam Managed High Yield Trust:

We have audited the accompanying statement of assets and liabilities of Putnam Managed High Yield Trust, including the fund's portfolio, as of May 31, 2005, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of May 31, 2005 by correspondence with the custodian and brokers or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Putnam Managed High Yield Trust as of May 31, 2005, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Boston, Massachusetts
July 13, 2005

The fund's portfolio
May 31, 2005

Corporate bonds and notes (89.6%) (a)

Principal amount		Value
Advertising and Marketing Services (0.2%)		
$100,000	Lamar Media Corp. company guaranty 7 1/4s, 2013	$105,500
Automotive (1.9%)		
50,000	ArvinMeritor, Inc. notes 8 3/4s,	

		2012	50,000
	30,000	Dana Corp. notes 10 1/8s, 2010	31,032
	190,000	Dana Corp. notes 9s, 2011	207,100
	15,000	Dana Corp. notes 7s, 2029	12,549
	40,000	Delco Remy International, Inc. company guaranty 11s, 2009	35,500
	160,000	Delco Remy International, Inc. sr. sub. notes 9 3/8s, 2012	121,600
	75,000	Dura Operating Corp. company guaranty Ser. B, 8 5/8s, 2012	67,500
	150,000	Lear Corp. company guaranty Ser. B, 8.11s, 2009	153,309
	115,000	Meritor Automotive, Inc. notes 6.8s, 2009	111,263
	95,000	Metaldyne Corp. 144A sr. notes 10s, 2013	79,800
EUR	20,000	Teksid Aluminum 144A company guaranty 11 3/8s, 2011 (Luxembourg)	20,457
	$100,000	Tenneco Automotive, Inc. company guaranty 8 5/8s, 2014	96,500
	300,000	Tenneco Automotive, Inc. sec. notes Ser. B, 10 1/4s, 2013	334,500

			1,321,110

Basic Materials (9.6%)

	130,000	Acetex Corp. sr. notes 10 7/8s, 2009 (Canada)	136,825
	120,000	AK Steel Corp. company guaranty 7 3/4s, 2012	108,900
	170,000	Almatis Investment Holdings S.a.r.l. bonds 11s, 2013 (Luxembourg) (PIK)	170,000
	125,000	ALROSA Finance SA 144A company guaranty 8 7/8s, 2014 (Luxembourg)	135,625
	130,000	BCP Crystal US Holdings Corp. sr. sub. notes 9 5/8s, 2014	145,925
	60,000	Century Aluminum Co. company guaranty 7 1/2s, 2014	58,800
EUR	210,000	Cognis Holding GmbH & Co. 144A sr. notes 9 1/2s, 2014 (Germany)	264,451
	$185,000	Compass Minerals Group, Inc. company guaranty 10s, 2011	201,650
	50,000	Compass Minerals International, Inc. sr. disc. notes stepped-coupon Ser. B, zero % (12s, 6/1/08), 2013 (STP)	41,750
	130,000	Compass Minerals International, Inc. sr. notes stepped-coupon zero % (12 3/4s, 12/15/07), 2012 (STP)	113,425
	80,000	Crystal US Holdings, LLC. 144A sr. disc. notes stepped-coupon zero % (10s, 10/1/09), 2014 (STP)	55,000
	95,000	Equistar Chemicals LP notes 8 3/4s, 2009	99,988
	290,000	Equistar Chemicals LP/Equistar Funding Corp. company guaranty 10 1/8s,2008	315,375
	75,000	Georgia-Pacific Corp. bonds 7 3/4s, 2029	84,281
	130,000	Georgia-Pacific Corp. company guaranty 9 3/8s, 2013	147,225

	250,000	Georgia-Pacific Corp. debs. 9 1/2s, 2011	299,375
	210,000	Georgia-Pacific Corp. debs. 7.7s, 2015	237,300
	175,000	Gerdau Ameristeel Corp. sr. notes 10 3/8s, 2011 (Canada)	190,750
	160,000	Hercules, Inc. company guaranty 11 1/8s, 2007	180,800
	140,000	Hercules, Inc. company guaranty 6 3/4s, 2029	136,500
	35,000	Huntsman Advanced Materials, LLC 144A sec. FRN 10.89s, 2008	36,838
	40,000	Huntsman Advanced Materials, LLC 144A sec. notes 11s, 2010	45,600
	78,000	Huntsman, LLC company guaranty 11 5/8s, 2010	89,700
	40,000	Huntsman, LLC 144A company guaranty 12s, 2012	46,000
	325,000	Innophos, Inc. 144A sr. sub. notes 8 7/8s, 2014	316,875
	5,000	Jefferson Smurfit Corp. company guaranty 8 1/4s, 2012	4,913
	10,000	Jefferson Smurfit Corp. company guaranty 7 1/2s, 2013	9,350
EUR	101,948	JSG Holding PLC 144A sr. notes 11 1/2s, 2015 (Ireland) (PIK)	98,804
	$10,000	Lyondell Chemical Co. bonds 11 1/8s, 2012	11,338
	130,000	Lyondell Chemical Co. company guaranty 10 1/2s, 2013	148,363
	100,000	Lyondell Chemical Co. company guaranty 9 1/2s, 2008	106,250
	65,000	Lyondell Chemical Co. notes Ser. A, 9 5/8s, 2007	69,144
	215,000	MDP Acquisitions PLC sr. notes 9 5/8s, 2012 (Ireland)	210,163
EUR	5,000	MDP Acquisitions PLC sr. notes Ser. EUR, 10 1/8s, 2012 (Ireland)	6,312
EUR	10,000	Nalco Co. sr. notes 7 3/4s, 2011	13,044
EUR	65,000	Nalco Co. sr. sub. notes 9s, 2013	86,268
	$300,000	Nalco Co. sr. sub. notes 8 7/8s, 2013	313,500
	75,000	Norske Skog Canada, Ltd. sr. notes 7 3/8s, 2014 (Canada)	70,125
	270,000	Novelis, Inc. 144A sr. notes 7 1/4s, 2015 (Canada)	264,600
	31,547	PCI Chemicals Canada sec. sr. notes 10s, 2008 (Canada)	32,967
	9,679	Pioneer Companies, Inc. sec. sr.notes FRN 6.59s, 2006	9,679
	60,000	PQ Corp. 144A company guaranty 7 1/2s, 2013	57,900
EUR	235,000	Rockwood Specialties Group, Inc. company guaranty 7 5/8s, 2014	288,245
EUR	80,000	SGL Carbon SA 144A sr. notes 8 1/2s, 2012 (Luxembourg)	104,101
	$110,000	Steel Dynamics, Inc. company guaranty 9 1/2s, 2009	117,150
	27,275	Sterling Chemicals, Inc. sec. notes 10s, 2007 (PIK)	27,275
	40,000	Stone Container Corp. sr. notes 9 3/4s, 2011	42,400

140,000	Stone Container Corp. sr. notes 8 3/8s, 2012	139,650
215,000	Stone Container Finance company guaranty 7 3/8s, 2014 (Canada)	199,413
25,000	Tembec Industries, Inc. company guaranty 7 3/4s, 2012 (Canada)	18,563
90,000	Ucar Finance, Inc. company guaranty 10 1/4s, 2012	93,150
214,000	United States Steel Corp. sr. notes 9 3/4s, 2010	233,795
7,393	Wheeling-Pittsburgh Steel Corp. sr. notes 6s, 2010 (PIK)	5,914
14,333	Wheeling-Pittsburgh Steel Corp. sr. notes 5s, 2011 (PIK)	11,466
40,000	WHX Corp. sr. notes 10 1/2s, 2005 (In default) (b) (NON)	40,000
		6,492,800

Beverage (0.1%)

45,000	Constellation Brands, Inc. company guaranty Ser. B, 8s, 2008	47,813
45,000	Constellation Brands, Inc. sr. sub. notes Ser. B, 8 1/8s, 2012	47,025
		94,838

Broadcasting (2.9%)

210,000	British Sky Broadcasting PLC company guaranty 6 7/8s, 2009 (United Kingdom)	225,389
194,000	DirecTV Holdings, LLC sr. notes 8 3/8s, 2013	214,855
440,000	Diva Systems Corp. sr. disc. notes Ser. B, 12 5/8s, 2008 (In default) (NON)	2,200
235,000	Echostar DBS Corp. sr. notes 6 3/8s, 2011	237,350
165,000	Echostar DBS Corp. 144A company guaranty 6 5/8s, 2014	165,413
255,000	Granite Broadcasting Corp. sec. notes 9 3/4s, 2010	233,325
105,000	Gray Television, Inc. company guaranty 9 1/4s, 2011	114,188
6,090	Knology, Inc. 144A sr. notes 12s, 2009 (PIK)	5,999
155,000	Rainbow National Services, LLC 144A sr. notes 8 3/4s, 2012	170,306
150,000	Rainbow National Services, LLC 144A sr. sub. debs. 10 3/8s, 2014	171,000
60,000	Sinclair Broadcast Group, Inc. company guaranty 8 3/4s, 2011	63,600
301,000	Young Broadcasting, Inc. company guaranty 10s, 2011	297,238
65,000	Young Broadcasting, Inc. sr. sub. notes 8 3/4s, 2014	58,825
		1,959,688

Building Materials (0.8%)

60,000	Building Materials Corp. company guaranty 8s, 2008	59,850
80,000	Dayton Superior Corp. sec. notes 10 3/4s, 2008	81,200
5,000	Owens Corning bonds 7 1/2s, 2018 (In default) (NON)	4,050
120,000	Owens Corning notes 7 1/2s, 2006 (In default) (NON)	97,800
350,000	THL Buildco, Inc. (Nortek Holdings, Inc.) sr. sub. notes 8 1/2s, 2014	313,250
		556,150

Cable Television (3.3%)

20,000	Adelphia Communications Corp. sr. notes 10 7/8s, 2010 (In default) (NON)	17,550
90,000	Adelphia Communications Corp. sr. notes 10 1/4s, 2011 (In default) (NON)	81,900
5,000	Adelphia Communications Corp. sr. notes 10 1/4s, 2006 (In default) (NON)	4,275
5,000	Adelphia Communications Corp. sr. notes 9 3/8s, 2009 (In default) (NON)	4,450
40,000	Adelphia Communications Corp. sr. notes Ser. B, 9 7/8s, 2007 (In default) (NON)	34,600
255,000	Atlantic Broadband Finance, LLC 144A sr. sub. notes 9 3/8s, 2014	240,338
195,000	Cablevision Systems Corp. 144A sr. notes 8s, 2012	204,994
70,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (12 1/8s, 1/15/07), 2012 (STP)	40,600
35,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (11 3/4s, 5/15/06), 2011 (STP)	22,663
240,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 11 1/8s, 2011	178,800
200,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 3/4s, 2009	155,000
75,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 1/4s, 2010	55,313
265,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10s, 2011	191,463
200,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 9 5/8s, 2009	149,500
20,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 8 5/8s, 2009	14,850
75,000	CSC Holdings, Inc. debs. 7 5/8s,	

		2018	78,000
	80,000	CSC Holdings, Inc. sr. notes Ser. B, 7 5/8s, 2011	84,800
	155,000	CSC Holdings, Inc. 144A sr. notes 6 3/4s, 2012	157,713
	270,000	Kabel Deutscheland GmbH 144A company guaranty 10 5/8s, 2014 (Germany)	288,225
	30,000	Quebecor Media, Inc. sr. disc. notes stepped-coupon zero % (13 3/4s, 7/15/06), 2011 (Canada) (STP)	29,625
	155,000	Quebecor Media, Inc. sr. notes 11 1/8s, 2011 (Canada)	171,663
	50,000	Videotron Ltee company guaranty 6 7/8s, 2014 (Canada)	50,063
			2,256,385

Capital Goods (9.3%)

	65,000	AEP Industries, Inc. 144A sr. notes 7 7/8s, 2013	64,917
EUR	270,000	Aero Invest 1 SA 144A company guaranty FRN 10.68s, 2015 (Luxembourg)	320,008
	$240,000	Allied Waste North America, Inc. company guaranty Ser. B, 8 1/2s, 2008	248,400
	135,000	Amsted Industries, Inc. 144A sr. notes 10 1/4s, 2011	144,450
	320,000	Argo-Tech Corp. sr. notes 9 1/4s, 2011	345,600
	35,000	BE Aerospace, Inc. sr. notes 8 1/2s, 2010	37,888
	35,000	BE Aerospace, Inc. sr. sub. notes Ser. B, 8 7/8s, 2011	35,700
	310,000	BE Aerospace, Inc. sr. sub. notes Ser. B, 8s, 2008	310,000
	125,000	Blount, Inc. sr. sub. notes 8 7/8s, 2012	130,625
	80,000	Browning-Ferris Industries, Inc. debs. 7.4s, 2035	67,600
	145,000	Browning-Ferris Industries, Inc. sr. notes 6 3/8s, 2008	143,913
EUR	15,000	Crown Euro Holdings SA sec. notes 10 1/4s, 2011 (France)	20,547
	$70,000	Crown Euro Holdings SA sec. notes 9 1/2s, 2011 (France)	76,650
	320,000	Crown Euro Holdings SA sec. sr. notes 10 7/8s, 2013 (France)	369,200
	476,000	Decrane Aircraft Holdings Co. company guaranty zero %, 2008	180,880
	120,000	Earle M. Jorgensen Co. sec. notes 9 3/4s, 2012	126,000
EUR	60,000	Flender Holdings 144A sr. notes 11s, 2010 (Germany)	87,854
	$80,000	Invensys, PLC notes 9 7/8s, 2011 (United Kingdom)	75,400
	325,000	L-3 Communications Corp. company guaranty 6 1/8s, 2013	321,750
	310,000	Legrand SA debs. 8 1/2s, 2025 (France)	368,900
	91,000	Manitowoc Co., Inc. (The) company	

		guaranty 10 1/2s, 2012	101,010
EUR	25,000	Manitowoc Co., Inc. (The) company guaranty 10 3/8s, 2011	34,106
	$290,000	Manitowoc Co., Inc. (The) sr. notes 7 1/8s, 2013	300,150
	240,000	Milacron Escrow Corp. sec. notes 11 1/2s, 2011	250,800
	175,000	Mueller Group, Inc. sr. sub. notes 10s, 2012	183,750
	105,000	Mueller Holdings, Inc. disc. notes stepped-coupon zero % (14 3/4s, 4/15/09), 2014 (STP)	75,863
	180,000	Owens-Brockway Glass company guaranty 8 1/4s, 2013	194,400
	75,000	Owens-Brockway Glass company guaranty 7 3/4s, 2011	79,875
	170,000	Owens-Brockway Glass sr. sec. notes 8 3/4s, 2012	187,000
	15,000	Owens-Illinois, Inc. debs. 7.8s, 2018	15,675
	155,000	Polypore, Inc. sr. sub. notes 8 3/4s, 2012	134,075
	250,000	Sequa Corp. sr. notes Ser. B, 8 7/8s, 2008	265,000
	210,000	Siebe PLC 144A sr. unsub. 6 1/2s, 2010 (United Kingdom)	178,500
	235,000	Solo Cup Co. sr. sub. notes 8 1/2s, 2014	225,600
	35,000	Terex Corp. company guaranty 9 1/4s, 2011	37,800
	190,000	Terex Corp. company guaranty Ser. B, 10 3/8s, 2011	206,625
	325,000	Titan Corp. (The) company guaranty 8s, 2011	347,750
			6,294,261

Commercial and Consumer Services (0.8%)

245,000	Laidlaw International, Inc. sr. notes 10 3/4s, 2011	277,156
300,000	Muzak LLC/Muzak Finance Corp sr. notes 10s, 2009	240,000
		517,156

Communication Services (7.2%)

60,000	Alamosa Delaware, Inc. company guaranty 11s, 2010	66,900
50,000	Alamosa Delaware, Inc. company guaranty stepped-coupon zero % (12s, 7/31/05), 2009 (STP)	54,625
70,000	Alamosa Delaware, Inc. sr. notes 8 1/2s, 2012	72,975
35,000	American Cellular Corp. company guaranty 9 1/2s, 2009	34,125
58,000	American Tower Corp. sr. notes 9 3/8s, 2009	60,828
65,000	American Tower Corp. sr. notes 7 1/2s, 2012	67,925
125,000	American Towers, Inc. company	

	guaranty 7 1/4s, 2011	130,938
96,207	Asia Global Crossing, Ltd. sr. notes 13 3/8s, 2010 (Bermuda) (In default) (NON)	4,810
75,000	Centennial Cellular Operating Co. company guaranty 10 1/8s, 2013	83,719
25,000	Cincinnati Bell Telephone Co. company guaranty 6.3s, 2028	22,000
80,000	Cincinnati Bell, Inc. sr. sub. notes 8 3/8s, 2014	79,200
70,000	Cincinnati Bell, Inc. sr. sub. notes 7 1/4s, 2023	64,575
60,000	Cincinnati Bell, Inc. 144A sr. notes 7s, 2015	57,450
185,000	Citizens Communications Co. notes 9 1/4s, 2011	204,888
160,000	Citizens Communications Co. sr. notes 6 1/4s, 2013	154,400
205,000	Crown Castle International Corp. sr. notes 9 3/8s, 2011	226,269
45,000	Eircom Funding company guaranty Ser. US$, 8 1/4s, 2013 (Ireland)	47,250
20,728	Globix Corp. company guaranty 11s, 2008 (PIK)	19,484
175,000	Inmarsat Finance PLC company guaranty 7 5/8s, 2012 (United Kingdom)	182,000
175,000	Inmarsat Finance PLC company guaranty stepped-coupon zero % (10 3/8s, 10/15/08), 2012 (United Kingdom) (STP)	129,500
160,000	Intelsat Bermuda, Ltd. 144A sr. notes 8 5/8s, 2015 (Bermuda)	164,200
75,000	Intelsat Bermuda, Ltd. 144A sr. notes 8 1/4s, 2013 (Bermuda)	76,313
55,000	iPCS, Inc. sr. notes 11 1/2s, 2012	60,225
20,000	IWO Escrow Co. 144A sec. FRN 6.891s, 2012	19,900
20,000	IWO Escrow Co. 144A sr. disc. notes stepped-coupon zero % (10 3/4s, 1/15/10), 2015 (STP)	12,700
135,000	Level 3 Financing, Inc. 144A sr. notes 10 3/4s, 2011	113,063
120,000	Madison River Capital Corp. sr. notes 13 1/4s, 2010	127,200
205,000	MCI, Inc. sr. notes 8.735s, 2014	229,600
45,000	MCI, Inc. sr. notes 7.688s, 2009	47,138
5,000	Nextel Communications, Inc. sr. notes 6 7/8s, 2013	5,313
490,000	Nextel Communications, Inc. sr. notes 5.95s, 2014	501,025
55,000	Nextel Partners, Inc. sr. notes 12 1/2s, 2009	60,225
225,000	Nextel Partners, Inc. sr. notes 8 1/8s, 2011	244,688
410,000	Qwest Communications International, Inc. 144A sr. notes 8s, 2014	395,650
475,000	Qwest Corp. 144A notes 9 1/8s, 2012	515,375
65,000	Qwest Services Corp. 144A notes 14s, 2014	76,863
85,000	Qwest Services Corp. 144A notes 13 1/2s, 2010	96,900

50,000	Rogers Cantel, Inc. debs. 9 3/4s, 2016 (Canada)	59,500
40,000	Rogers Wireless Communications, Inc. sec. notes 9 5/8s, 2011 (Canada)	46,600
45,000	Rural Cellular Corp. sr. notes 9 7/8s, 2010	44,438
90,000	Rural Cellular Corp. sr. sub. notes 9 3/4s, 2010	79,650
55,000	SBA Communications Corp. 144A sr. notes 8 1/2s, 2012	58,300
55,000	SBA Telecommunications, Inc./SBA Communications Corp. sr. disc. notes stepped-coupon zero % (9 3/4s, 12/15/07), 2011 (STP)	48,125
60,000	Valor Telecommunications Enterprises LLC/Finance Corp. 144A sr. notes 7 3/4s, 2015	58,350
		4,905,202

Consumer (0.9%)

115,000	Icon Health & Fitness company guaranty 11 1/4s, 2012	84,525
245,000	Jostens IH Corp. company guaranty 7 5/8s, 2012	234,588
260,000	Samsonite Corp. sr. sub. notes 8 7/8s, 2011	273,000
		592,113

Consumer Goods (1.6%)

105,000	Church & Dwight Co., Inc. 144A sr. sub. notes 6s, 2012	105,000
45,000	Elizabeth Arden, Inc. company guaranty 7 3/4s, 2014	46,463
190,000	Playtex Products, Inc. company guaranty 9 3/8s, 2011	199,025
140,000	Playtex Products, Inc. sec. notes 8s, 2011	149,800
129,000	Prestige Brands, Inc. sr. sub. notes 9 1/4s, 2012	132,548
125,000	Remington Arms Co., Inc. company guaranty 10 1/2s, 2011	119,375
45,000	Scotts Co. (The) sr. sub. notes 6 5/8s, 2013	45,450
280,000	Spectrum Brands, Inc. 144A sr. sub. notes 7 3/8s, 2015	273,000
		1,070,661

Consumer Services (0.2%)

100,000	Brand Services, Inc. company guaranty 12s, 2012	110,250
60,000	United Rentals (North America), Inc. company guaranty 6 1/2s, 2012	59,025
		169,275

Energy (7.2%)

270,000	Arch Western Finance, LLC sr. notes 6 3/4s, 2013	269,325
70,000	Bluewater Finance, Ltd. company guaranty 10 1/4s, 2012 (Cayman Islands)	73,150
85,000	CHC Helicopter Corp. 144A sr. sub. notes 7 3/8s, 2014 (Canada)	82,025
100,000	CHC Helicopter Corp. sr. sub. notes 7 3/8s, 2014 (Canada)	96,500
45,000	Chesapeake Energy Corp. company guaranty 7 3/4s, 2015	48,713
75,000	Chesapeake Energy Corp. company guaranty 9s, 2012	82,875
210,000	Chesapeake Energy Corp. sr. notes 7 1/2s, 2013	226,800
60,000	Chesapeake Energy Corp. sr. notes 7s, 2014	63,300
95,000	Comstock Resources, Inc. sr. notes 6 7/8s, 2012	93,575
25,000	Dresser-Rand Group, Inc. 144A sr. sub. notes 7 3/8s, 2014	24,500
90,000	Encore Acquisition Co. company guaranty 8 3/8s, 2012	97,200
45,000	Encore Acquisition Co. sr. sub. notes 6 1/4s, 2014	43,875
130,000	Exco Resources, Inc. company guaranty 7 1/4s, 2011	126,750
70,000	Forest Oil Corp. company guaranty 7 3/4s, 2014	74,375
35,000	Forest Oil Corp. sr. notes 8s, 2008	37,100
145,000	Forest Oil Corp. sr. notes 8s, 2011	158,775
110,000	Gazprom OAO 144A notes 9 5/8s, 2013 (Germany)	132,000
40,000	Hanover Compressor Co. sr. notes 8 5/8s, 2010	41,200
70,000	Hanover Compressor Co. sr. notes 9s, 2014	72,450
95,000	Hanover Compressor Co. sub. notes zero %, 2007	82,175
30,000	Hanover Equipment Trust sec. notes Ser. B, 8 3/4s, 2011	31,125
275,000	Harvest Operations Corp. sr. notes 7 7/8s, 2011 (Canada)	264,688
275,000	Inergy LP/Inergy Finance Corp. 144A sr. notes 6 7/8s, 2014	257,125
65,000	KCS Energy, Inc. sr. notes 7 1/8s, 2012	64,675
280,000	Key Energy Services, Inc. sr. notes 6 3/8s, 2013	274,400
260,000	Massey Energy Co. sr. notes 6 5/8s, 2010	263,900
130,000	Newfield Exploration Co. sr. notes 7 5/8s, 2011	140,400
125,000	Newfield Exploration Co. sr. sub. notes 6 5/8s, 2014	127,813
75,000	Pacific Energy Partners/Pacific Energy Finance Corp. sr. notes 7 1/8s, 2014	78,000
135,000	Peabody Energy Corp. sr. notes 5 7/8s, 2016	132,975
45,000	Pemex Project Funding Master Trust	

	company guaranty 7 3/8s, 2014	49,950
30,000	Pemex Project Funding Master Trust company guaranty 8 5/8s, 2022	35,850
100,000	Petroleum Geo-Services notes 10s, 2010 (Norway)	111,000
95,000	Plains Exploration & Production Co. sr. notes 7 1/8s, 2014	101,413
145,000	Plains Exploration & Production Co. sr. sub. notes 8 3/4s, 2012	158,050
110,000	Pogo Producing Co. sr. sub. notes Ser. B, 8 1/4s, 2011	117,150
185,000	Pride International, Inc. sr. notes 7 3/8s, 2014	203,038
100,000	Seabulk International, Inc. company guaranty 9 1/2s, 2013	113,250
140,000	Star Gas Partners LP/Star Gas Finance Co. sr. notes 10 1/4s, 2013	130,200
280,000	Stone Energy Corp. sr. sub. notes 6 3/4s, 2014	266,000
45,000	Vintage Petroleum, Inc. sr. notes 8 1/4s, 2012	48,713
25,000	Vintage Petroleum, Inc. sr. sub. notes 7 7/8s, 2011	26,250
		4,922,628

Entertainment (1.8%)

45,000	AMC Entertainment, Inc. sr. sub. notes 9 7/8s, 2012	44,775
162,000	AMC Entertainment, Inc. sr. sub. notes 8s, 2014	146,610
155,000	Cinemark USA, Inc. sr. sub. notes 9s, 2013	164,300
180,000	Cinemark, Inc. sr. disc. notes stepped-coupon zero % (9 3/4s, 3/15/07), 2014 (STP)	126,450
335,000	LCE Acquisition Corp. 144A company guaranty 9s, 2014	324,950
290,000	Six Flags, Inc. sr. notes 8 7/8s, 2010	269,700
55,000	Universal City Florida Holding Co. sr. notes 8 3/8s, 2010	56,650
75,000	Universal City Florida Holding Co. sr. notes FRN 7.96s, 2010	78,000
		1,211,435

Financial (1.0%)

55,000	Crescent Real Estate Equities LP notes 7 1/2s, 2007 (R)	55,000
175,000	E(a)Trade Finance Corp. sr. notes 8s, 2011	182,875
194,590	Finova Group, Inc. notes 7 1/2s, 2009	82,701
85,000	UBS AG/Jersey Branch sr. notes Ser. EMTN, 9.14s, 2008 (Jersey)	89,463
240,000	Western Financial Bank sub. debs. 9 5/8s, 2012	258,000
		668,039

Food (2.0%)

	21,963	Archibald Candy Corp. company guaranty 10s, 2007 (In default) (NON) (PIK) (F)	4,678
	335,000	Dean Foods Co. sr. notes 6 5/8s, 2009	345,469
	100,000	Del Monte Corp. sr. sub. notes 8 5/8s, 2012	109,000
	80,000	Del Monte Corp. 144A sr. sub. notes 6 3/4s, 2015	79,800
	285,000	Pinnacle Foods Holding Corp. sr. sub. notes 8 1/4s, 2013	243,675
GBP	150,000	RHM Finance, Ltd. sinking fund 8.8s, 2017 (Kenya)	320,962
EUR	195,000	United Biscuits Finance company guaranty 10 5/8s, 2011 (United Kingdom)	248,571
			1,352,155

Gaming & Lottery (3.4%)

$60,000	Ameristar Casinos, Inc. company guaranty 10 3/4s, 2009	65,550
160,000	Boyd Gaming Corp. sr. sub. notes 8 3/4s, 2012	173,200
30,000	Boyd Gaming Corp. sr. sub. notes 7 3/4s, 2012	31,875
60,000	Boyd Gaming Corp. sr. sub. notes 6 3/4s, 2014	60,900
40,000	Mandalay Resort Group sr. notes 6 3/8s, 2011	40,200
175,000	MGM Mirage, Inc. company guaranty 8 1/2s, 2010	192,938
125,000	MGM Mirage, Inc. company guaranty 6s, 2009	124,844
40,000	Mirage Resorts, Inc. debs. 7 1/4s, 2017	40,700
155,000	Park Place Entertainment Corp. sr. notes 7 1/2s, 2009	169,338
115,000	Park Place Entertainment Corp. sr. notes 7s, 2013	125,638
95,000	Park Place Entertainment Corp. sr. sub. notes 8 7/8s, 2008	104,975
185,000	Penn National Gaming, Inc. sr. sub. notes 8 7/8s, 2010	198,413
50,000	Penn National Gaming, Inc. 144A sr. sub. notes 6 3/4s, 2015	48,750
70,000	Pinnacle Entertainment, Inc. sr. sub. notes 8 3/4s, 2013	72,800
150,000	Pinnacle Entertainment, Inc. sr. sub. notes 8 1/4s, 2012	150,750
120,000	Resorts International Hotel and Casino, Inc. company guaranty 11 1/2s, 2009	136,200
130,000	Scientific Games Corp. 144A sr. sub. notes 6 1/4s, 2012	127,400
90,000	Station Casinos, Inc. sr. notes 6s, 2012	90,225
90,000	Station Casinos, Inc. sr. sub. notes	

	6 7/8s, 2016	92,475
280,000	Wynn Las Vegas, LLC/Wynn Las Vegas Capital Corp. 144A 1st mtge. 6 5/8s, 2014	268,800

		2,315,971

Health Care (5.3%)

70,000	AmerisourceBergen Corp. company guaranty 7 1/4s, 2012	76,475
100,000	AmerisourceBergen Corp. sr. notes 8 1/8s, 2008	108,250
170,000	Ardent Health Services, Inc. sr. sub. notes 10s, 2013	206,618
310,000	Community Health Systems, Inc. sr. sub. notes 6 1/2s, 2012	308,450
45,000	DaVita, Inc. 144A sr. notes 6 5/8s, 2013	45,450
85,000	DaVita, Inc. 144A sr. sub. notes 7 1/4s, 2015	85,425
150,000	Elan Finance PLC/Elan Finance Corp. 144A sr. notes 7 3/4s, 2011 (Ireland)	129,750
50,000	HCA, Inc. debs. 7.19s, 2015	51,985
60,000	HCA, Inc. notes 8.36s, 2024	66,471
70,000	HCA, Inc. notes 7.69s, 2025	73,629
10,000	HCA, Inc. notes 7s, 2007	10,378
65,000	HCA, Inc. notes 6 3/8s, 2015	66,252
55,000	HCA, Inc. notes 5 3/4s, 2014	53,861
185,000	Healthsouth Corp. notes 7 5/8s, 2012	177,600
75,000	Healthsouth Corp. sr. notes 8 1/2s, 2008	75,750
45,000	Healthsouth Corp. sr. notes 8 3/8s, 2011	44,663
45,000	Healthsouth Corp. sr. sub. notes 10 3/4s, 2008	46,463
35,000	MedQuest, Inc. company guaranty Ser. B, 11 7/8s, 2012	35,000
180,000	MQ Associates, Inc. sr. disc. notes stepped-coupon zero % (12 1/4s, 8/15/08), 2012 (STP)	102,600
120,000	Omnicare, Inc. sr. sub. notes 6 1/8s, 2013	117,300
40,000	Service Corp. International debs. 7 7/8s, 2013	41,000
15,000	Service Corp. International notes 7.2s, 2006	15,413
5,000	Service Corp. International notes 6 7/8s, 2007	5,250
20,000	Service Corp. International notes 6 1/2s, 2008	20,450
50,000	Service Corp. International notes Ser. (a), 7.7s, 2009	52,813
140,000	Service Corp. International 144A sr. notes 6 3/4s, 2016	138,600
135,000	Stewart Enterprises, Inc. 144A sr. notes 6 1/4s, 2013	131,288
85,000	Tenet Healthcare Corp. notes 7 3/8s, 2013	83,300
255,000	Tenet Healthcare Corp. sr. notes 9 7/8s, 2014	274,125

90,000	Tenet Healthcare Corp. sr. notes 6 1/2s, 2012	85,950
130,000	Triad Hospitals, Inc. sr. notes 7s, 2012	135,200
225,000	Triad Hospitals, Inc. sr. sub. notes 7s, 2013	227,813
85,000	Universal Hospital Services, Inc. sr. notes 10 1/8s, 2011 (Canada)	85,850
250,000	Vanguard Health Holding Co. II, LLC sr. sub. notes 9s, 2014	270,000
55,000	Ventas Realty LP/Capital Corp. company guaranty 9s, 2012 (R)	62,425
40,000	Ventas Realty LP/Capital Corp. sr. notes 6 5/8s, 2014 (R)	39,800
55,000	Ventas Realty LP/Capital Corp. 144A sr. notes 6 3/4s, 2010 (R)	55,963
		3,607,610

Homebuilding (2.6%)

70,000	Beazer Homes USA, Inc. company guaranty 8 5/8s, 2011	74,375
25,000	Beazer Homes USA, Inc. company guaranty 8 3/8s, 2012	26,625
20,000	D.R. Horton, Inc. company guaranty 8s, 2009	21,757
120,000	D.R. Horton, Inc. sr. notes 7 7/8s, 2011	133,200
25,000	D.R. Horton, Inc. sr. notes 6 7/8s, 2013	26,563
50,000	D.R. Horton, Inc. sr. notes 5 7/8s, 2013	50,121
90,000	K. Hovnanian Enterprises, Inc. company guaranty 8 7/8s, 2012	95,850
70,000	K. Hovnanian Enterprises, Inc. company guaranty 6 3/8s, 2014	69,300
50,000	K. Hovnanian Enterprises, Inc. sr. notes 6 1/2s, 2014	50,000
275,000	KB Home sr. notes 5 3/4s, 2014	269,947
60,000	Meritage Homes Corp. 144A sr. notes 6 1/4s, 2015	56,100
70,000	Schuler Homes, Inc. company guaranty 10 1/2s, 2011	78,302
10,000	Standard Pacific Corp. sr. notes 6 7/8s, 2011	10,175
215,000	Standard Pacific Corp. sr. notes 6 1/4s, 2014	206,400
55,000	Technical Olympic USA, Inc. company guaranty 10 3/8s, 2012	58,300
80,000	Technical Olympic USA, Inc. company guaranty 9s, 2010	82,400
320,000	Technical Olympic USA, Inc. sr. sub. notes 7 1/2s, 2015	292,757
30,000	WCI Communities, Inc. company guaranty 10 5/8s, 2011	32,025
130,000	WCI Communities, Inc. company guaranty 9 1/8s, 2012	134,875
		1,769,072

Household Furniture and Appliances (0.5%)

200,000	Sealy Mattress Co. sr. sub. notes 8 1/4s, 2014	202,500
135,000	Simmons Bedding Co. sr. sub. notes 7 7/8s, 2014	118,800
		321,300

Lodging/Tourism (1.8%)

55,000	FelCor Lodging LP company guaranty 9s, 2008 (R)	58,575
115,000	Gaylord Entertainment Co. sr. notes 8s, 2013	119,313
33,000	HMH Properties, Inc. company guaranty Ser. B, 7 7/8s, 2008 (R)	33,578
60,000	Host Marriott LP company guaranty Ser. G, 9 1/4s, 2007 (R)	64,725
165,000	Host Marriott LP sr. notes Ser. M, 7s, 2012 (R)	169,538
255,000	John Q. Hammons Hotels LP/John Q. Hammons Hotels Finance Corp. III 1st mtge. Ser. B, 8 7/8s, 2012	278,588
130,000	MeriStar Hospitality Corp. company guaranty 9 1/8s, 2011 (R)	132,925
65,000	MeriStar Hospitality Corp. company guaranty 9s, 2008 (R)	66,300
80,000	Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 3/8s, 2007	83,400
95,000	Starwood Hotels & Resorts Worldwide, Inc. debs. 7 3/8s, 2015	104,381
105,000	Starwood Hotels & Resorts Worldwide, Inc. notes 6 3/4s, 2005	105,919
		1,217,242

Media (0.7%)

270,000	Affinity Group, Inc. sr. sub. notes 9s, 2012	271,350
130,000	Affinity Group, Inc. 144A sr. notes 10 7/8s, 2012	120,900
100,000	Warner Music Group sr. sub. notes 7 3/8s, 2014	99,500
		491,750

Other (3.5%)

2,375,000	Dow Jones CDX HY 144A pass-through certificates 7 3/4s, 2009	2,382,422

Publishing (5.5%)

300,000	Advertising Direct 144A sr. notes 9 1/4s, 2012 (Canada)	314,250
382,086	CanWest Media, Inc. 144A sr. sub. notes 8s, 2012 (Canada)	394,504
315,000	Cenveo Corp, sr. sub. notes 7 7/8s, 2013	298,463
185,000	Dex Media West, LLC/Dex Media Finance Co. sr. notes Ser. B,	

		8 1/2s, 2010	202,113
	85,000	Dex Media, Inc. disc. notes zero %, 2013	67,575
	345,000	Dex Media, Inc. notes 8s, 2013	366,563
	315,000	Houghton Mifflin Co. sr. sub. notes 9 7/8s, 2013	329,175
	175,000	MediaNews Group, Inc. sr. sub. notes 6 7/8s, 2013	169,750
	130,000	PRIMEDIA, Inc. company guaranty 8 7/8s, 2011	136,500
	190,000	PRIMEDIA, Inc. sr. notes 8s, 2013	190,475
	80,000	R.H. Donnelley Corp. 144A sr. notes 6 7/8s, 2013	82,000
	170,000	R.H. Donnelley Finance Corp. I 144A company guaranty 8 7/8s, 2010	185,300
	85,000	R.H. Donnelley Finance Corp. I 144A sr. sub. notes 10 7/8s, 2012	98,388
	20,000	R.H. Donnelley, Inc. company guaranty 8 7/8s, 2010	21,800
	335,000	Reader's Digest Association, Inc. (The) sr. notes 6 1/2s, 2011	331,650
	340,000	Vertis, Inc. company guaranty Ser. B, 10 7/8s, 2009	331,500
	120,000	Vertis, Inc. 144A sub. notes 13 1/2s, 2009	91,200
	105,000	WRC Media Corp. sr. sub. notes 12 3/4s, 2009	100,538
			3,711,744

Restaurants (0.3%)

	80,000	Domino's, Inc. sr. sub. notes 8 1/4s, 2011	84,000
	155,000	Sbarro, Inc. company guaranty 11s, 2009	150,350
			234,350

Retail (2.2%)

	80,000	Asbury Automotive Group, Inc. sr. sub. notes 8s, 2014	76,200
	160,000	Autonation, Inc. company guaranty 9s, 2008	174,000
	60,000	Bear Creek Corp. 144A sr. notes 9s, 2013	57,900
	155,000	JC Penney Co., Inc. debs. 7.95s, 2017	174,763
	90,000	JC Penney Co., Inc. debs. 7 1/8s, 2023	93,150
	20,000	JC Penney Co., Inc. notes 9s, 2012	23,300
	5,000	JC Penney Co., Inc. notes 8s, 2010	5,500
	80,000	Jean Coutu Group, Inc. sr. notes 7 5/8s, 2012 (Canada)	81,600
	90,000	Jean Coutu Group, Inc. sr. sub. notes 8 1/2s, 2014 (Canada)	87,525
	135,000	Movie Gallery, Inc. 144A sr. unsecd. notes 11s, 2012	139,388
EUR	85,000	Ray Acquisition sr. notes 9 3/8s, 2015 (France)	98,435
	$100,000	Rite Aid Corp. company guaranty	

	9 1/2s, 2011	103,000
5,000	Rite Aid Corp. debs. 6 7/8s, 2013	4,250
75,000	Rite Aid Corp. sr. notes 9 1/4s, 2013	69,750
80,000	Rite Aid Corp. 144A sec. notes 7 1/2s, 2015	73,600
195,000	Saks, Inc. company guaranty 7s, 2013	176,963
70,000	United Auto Group, Inc. company guaranty 9 5/8s, 2012	73,500
		1,512,824

Technology (3.1%)

200,000	Advanced Micro Devices, Inc. sr. notes 7 3/4s, 2012	197,000
250,000	Celestica, Inc. sr. sub. notes 7 7/8s, 2011 (Canada)	260,000
115,000	Iron Mountain, Inc. company guaranty 8 5/8s, 2013	117,588
125,000	Iron Mountain, Inc. company guaranty 7 3/4s, 2015	123,125
10,000	Lucent Technologies, Inc. debs. 6 1/2s, 2028	8,600
175,000	Lucent Technologies, Inc. debs. 6.45s, 2029	151,375
65,000	New ASAT Finance Ltd. company guaranty 9 1/4s, 2011 (Cayman Islands)	51,675
65,000	SCG Holding Corp. 144A notes zero %, 2011	97,500
110,000	Seagate Technology Hdd Holdings company guaranty 8s, 2009 (Cayman Islands)	117,700
25,000	TSI Telecommunication Services, Inc. company guaranty Ser. B, 12 3/4s, 2009	27,750
280,000	UGS Corp. company guaranty 10s, 2012	308,000
130,000	Xerox Capital Trust I company guaranty 8s, 2027	134,550
65,000	Xerox Corp. notes Ser. MTN, 7.2s, 2016	69,875
210,000	Xerox Corp. sr. notes 7 5/8s, 2013	228,900
180,000	Xerox Corp. sr. notes 6 7/8s, 2011	190,350
		2,083,988

Textiles (1.0%)

205,000	Levi Strauss & Co. sr. notes 12 1/4s, 2012	222,425
190,000	Levi Strauss & Co. 144A sr. notes 9 3/4s, 2015	184,300
75,000	Oxford Industries, Inc. sr. notes 8 7/8s, 2011	77,625
120,000	Russell Corp. company guaranty 9 1/4s, 2010	126,000
68,000	William Carter Holdings Co. (The) company guaranty Ser. B, 10 7/8s, 2011	75,310
		685,660

Tire & Rubber (0.4%)

35,000	Goodyear Tire & Rubber Co. (The) notes 8 1/2s, 2007	35,875
180,000	Goodyear Tire & Rubber Co. (The) notes 7.857s, 2011	171,900
35,000	Goodyear Tire & Rubber Co. (The) notes 6 3/8s, 2008	34,038
		241,813

Transportation (1.2%)

95,000	American Airlines, Inc. pass-through certificates Ser. 01-1, 6.817s, 2011	88,588
170,000	Calair, LLC/Calair Capital Corp. company guaranty 8 1/8s, 2008	131,750
200,000	Kansas City Southern Railway Co. company guaranty 9 1/2s, 2008	218,000
30,000	Kansas City Southern Railway Co. company guaranty 7 1/2s, 2009	30,975
120,000	Navistar International Corp. company guaranty Ser. B, 9 3/8s, 2006	124,800
85,000	Navistar International Corp. 144A sr. notes 6 1/4s, 2012	80,750
61,754	NWA Trust sr. notes Ser. A, 9 1/4s, 2012	63,606
40,000	Travelcenters of America, Inc. company guaranty 12 3/4s, 2009	44,000
		782,469

Utilities & Power (7.3%)

13,000	AES Corp. (The) sr. notes 8 7/8s, 2011	14,300
4,000	AES Corp. (The) sr. notes 8 3/4s, 2008	4,280
130,000	AES Corp. (The) 144A sec. notes 9s, 2015	145,275
190,000	AES Corp. (The) 144A sec. notes 8 3/4s, 2013	211,850
100,000	Allegheny Energy Supply 144A bonds 8 1/4s, 2012	108,875
65,000	Allegheny Energy Supply 144A sec. notes 10 1/4s, 2007	72,475
135,000	ANR Pipeline Co. debs. 9 5/8s, 2021	170,057
130,000	CMS Energy Corp. sr. notes 8.9s, 2008	140,075
40,000	CMS Energy Corp. sr. notes 8 1/2s, 2011	43,500
30,000	CMS Energy Corp. sr. notes 7 3/4s, 2010	31,650
95,000	Colorado Interstate Gas Co. 144A sr. notes 5.95s, 2015	93,226
340,000	DPL, Inc. bonds 8 1/8s, 2031	399,573
245,000	Dynegy Holdings, Inc. 144A sec. notes 10 1/8s, 2013	271,950
65,000	Dynegy-Roseton Danskamme company guaranty Ser. A, 7.27s, 2010	63,700

100,000	Dynegy-Roseton Danskamme company guaranty Ser. B, 7.67s, 2016	94,000
45,000	Edison Mission Energy sr. notes 10s, 2008	49,950
40,000	El Paso CGP Co. notes 7 3/4s, 2010	40,000
95,000	El Paso Corp. sr. notes 8.05s, 2030	90,488
65,000	El Paso Corp. sr. notes 7 3/8s, 2012	63,050
65,000	El Paso Corp. sr. notes Ser. MTN, 7.8s, 2031	60,856
30,000	El Paso Natural Gas Co. debs. 8 5/8s, 2022	34,750
170,000	El Paso Production Holding Co. company guaranty 7 3/4s, 2013	176,375
115,000	Ferrellgas Partners LP/Ferrellgas Partners Finance sr. notes 6 3/4s, 2014	106,950
225,000	Midwest Generation, LLC sec. sr. notes 8 3/4s, 2034	250,875
135,000	Mission Energy Holding Co. sec. notes 13 1/2s, 2008	159,300
70,000	Monongahela Power Co. 1st mtge. 6.7s, 2014	77,088
85,000	Nevada Power Co. 2nd mtge. 9s, 2013	95,413
135,000	Northwest Pipeline Corp. company guaranty 8 1/8s, 2010	146,813
348,000	NRG Energy, Inc. 144A sr. sec. notes 8s, 2013	367,140
100,000	Orion Power Holdings, Inc. sr. notes 12s, 2010	119,500
105,000	PSEG Energy Holdings, Inc. notes 7 3/4s, 2007	108,150
85,000	SEMCO Energy, Inc. sr. notes 7 3/4s, 2013	88,339
110,000	SEMCO Energy, Inc. 144A sr. notes 7 3/4s, 2013	110,000
25,000	Sierra Pacific Power Co. general ref. mtge. 6 1/4s, 2012	25,313
165,000	Sierra Pacific Resources sr. notes 8 5/8s, 2014	178,613
55,000	Teco Energy, Inc. notes 10 1/2s, 2007	62,975
35,000	Teco Energy, Inc. notes 7.2s, 2011	36,969
55,000	Teco Energy, Inc. notes 7s, 2012	57,613
10,000	Teco Energy, Inc. 144A sr. notes 6 3/4s, 2015	10,250
15,000	Tennessee Gas Pipeline Co. debs. 7s, 2028	15,176
30,000	Tennessee Gas Pipeline Co. unsecd. notes 7 1/2s, 2017	32,951
140,000	Texas Genco LLC/Texas Genco Financing Corp. 144A sr. notes 6 7/8s, 2014	143,850
20,000	Transcontinental Gas Pipeline Corp. debs. 7 1/4s, 2026	21,550
105,000	Utilicorp Canada Finance Corp. company guaranty 7 3/4s, 2011 (Canada)	105,525
75,000	Utilicorp United, Inc. sr. notes 9.95s, 2011	80,250
25,000	Williams Cos., Inc. (The) notes 8 3/4s, 2032	29,313
25,000	Williams Cos., Inc. (The) notes	

	8 1/8s, 2012	28,125
95,000	Williams Cos., Inc. (The) notes 7 5/8s, 2019	104,975
73,041	York Power Funding 144A notes 12s, 2007 (Cayman Islands) (In default) (NON) (F)	1
		4,943,272
	Total Corporate bonds and notes (cost $60,307,392)	$60,790,883

Common stocks (2.8%) (a)

Number of shares		Value
307	AboveNet, Inc. (NON)	$9,057
13,481	Alderwoods Group, Inc. (Canada) (NON)	186,712
180,000	AMRESCO Creditor Trust (acquired various dates from 5/05/99 to 5/10/00, cost $38,828) (NON) (RES) (F) (R)	180
195	Birch Telecom, Inc. (NON) (F)	1
4,405	Celanese Corp. Ser. A (NON)	68,189
20,176	Coinmach Service Corp. IDS (Income Deposit Securities)	262,288
85	Comdisco Holding Co., Inc.	1,445
112	Compass Minerals International, Inc.	2,523
505,286	Contifinancial Corp. Liquidating Trust Units	632
3,010	Covad Communications Group, Inc. (NON)	3,793
235	Crown Castle International Corp. (NON)	4,178
5,403	Globix Corp. (NON)	15,399
115,000	iPCS Escrow, Inc. (NON) (F)	115
3,613	iPCS, Inc. (NON)	112,906
33	Knology, Inc. (NON)	62
116	Magellan Health Services, Inc. (NON)	3,767
978	Northwestern Corp.	28,342
4,727	Pride International, Inc. (NON)	106,594
576	PSF Group Holdings, Inc. 144A Class A (acquired 3/15/95, cost $1,982,405) (NON) (RES) (F)	1,023,622
10	Sterling Chemicals, Inc. (NON)	260
178	Sun Healthcare Group, Inc. (NON)	1,246
40	USA Mobility, Inc. (NON)	1,058
259,509	VFB LLC (acquired various dates from 12/21/99 to 10/27/00, cost $214,226) (NON) (RES)	53,199
40,417	VS Holdings, Inc. (NON)	40
	Total Common stocks (cost $4,400,865)	$1,885,608

Convertible bonds and notes (1.2%) (a)

Principal amount		Value
$490,000	Cybernet Internet Services International, Inc. 144A cv. sr. disc. notes 13s, 2009 (Canada) (In default) (NON)	$5

65,000	Fairchild Semiconductor International, Inc. cv. company guaranty 5s, 2008	63,294
390,000	Kulicke & Soffa Industries, Inc. cv. sub. notes 0.5s, 2008	263,738
677,000	Lear Corp. cv. company guaranty zero %, 2022	302,958
220,000	ON Semiconductor Corp. cv. sr. sub. notes zero %, 2024	157,575
50,000	WCI Communities, Inc. cv. sr. sub. notes 4s, 2023	60,250
	Total Convertible bonds and notes (cost $1,285,356)	$847,820

Foreign government bonds and notes (1.2%) (a)

Principal amount		Value
$165,000	Brazil (Federal Republic of) bonds 10 1/2s, 2014	$193,050
35,000	Colombia (Republic of) bonds 10 3/8s, 2033	40,390
35,000	Colombia (Republic of) unsub. 9 3/4s, 2009	39,550
140,000	Indonesia (Republic of) 144A sr. notes 6 3/4s, 2014	137,900
60,000	Peru (Republic of) bonds 8 3/8s, 2016	66,600
150,000	Philippines (Republic of) bonds 8 3/8s, 2011	154,875
120,000	United Mexican States bonds Ser. MTN, 8.3s, 2031	146,880
45,000	Venezuela (Republic of) notes 10 3/4s, 2013	50,850
	Total Foreign government bonds and notes (cost $783,064)	$830,095

Convertible preferred stocks (0.8%) (a)

Number of shares		Value
1,537	Crown Castle International Corp. $3.125 cum. cv. pfd.	$72,239
2,929	Emmis Communications Corp. Ser. A, $3.125 cum. cv. pfd.	117,160
6,062	Huntsman Corp. $2.50 cv. pfd.	267,486
1,160	Williams Cos., Inc. (The) 144A $2.75 cv. pfd.	101,935
	Total Convertible preferred stocks (cost $588,342)	$558,820

Preferred stocks (0.5%) (a)

Number of shares		Value
1,266	Doane Pet Care Co. $7.125 pfd.	$101,280
3	Dobson Communications Corp. 13.00% pfd. (PIK)	2,046
80	First Republic Capital Corp. 144A 10.50% pfd.	84,000
13	Paxson Communications Corp. 14.25% cum. pfd. (PIK)	85,150

84	Rural Cellular Corp. Ser. B, 11.375% cum. pfd.	70,980
	Total Preferred stocks (cost $351,614)	$343,456

Units (0.4%) (a) (cost $812,266)

Number of units		Value
446	XCL Equity Units (F)	$303,881

Brady bonds (0.3%) (a)

Principal amount		Value
$119,413	Brazil (Federal Republic of) FRB Ser. 18 YR, 4.31s, 2012	$114,637
102,000	Peru (Republic of) FRB Ser. 20 YR, 5s, 2017	97,410
	Total Brady bonds (cost $208,228)	$212,047

Senior loans (0.1%) (a) (c) (cost $81,522)

Principal amount		Value
$90,000	Olympus Cable bank term loan FRN Ser. B, 7 3/4s, 2010	$87,863

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	$60,572

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

Number of warrants		Expiration date	Value
108	AboveNet, Inc.	9/8/08	$648
127	AboveNet, Inc.	9/8/10	254
200	Dayton Superior Corp. 144A	6/15/09	1
1	Doe Run Resources Corp. 144A	10/29/12	1
89	MDP Acquisitions PLC 144A	10/1/13	2,492
70	Mikohn Gaming Corp. 144A	8/15/08	1,361
8	NTL, Inc.	1/13/11	10
80	Pliant Corp. 144A	6/1/10	1
120	TravelCenters of America, Inc. 144A	5/1/09	15
350	Ubiquitel, Inc. 144A	4/15/10	1
310	Washington Group International, Inc. Ser. C	1/25/06	4,219
190	XM Satellite Radio Holdings, Inc. 144A	3/15/10	11,970
	Total Warrants (cost $127,021)		$20,973

Short-term investments (1.6%) (a) (cost $1,082,846)

Principal amount		Value
$1,082,846	Putnam Prime Money Market Fund (e)	$1,082,846
	Total Investments (cost $70,088,516)	$67,024,864

(a) Percentages indicated are based on net assets of $67,879,486.

(b) 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 income at this rate.

(RES) Restricted, excluding 144A securities, as to public resale. The total market value of restricted securities held at May 31, 2005 was $1,077,001 or 1.6% of net assets.

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

(F) Security is valued at fair value following procedures approved by the Trustees.

(R) Real Estate Investment Trust.

(c) Senior loans are exempt from registration under the Security Act of 1933, as amended, but contain certain restrictions on resale and cannot be sold publicly. These loans pay interest at rates which adjust periodically. The interest rate shown for senior loans are the current interest rates at May 31, 2005. Senior loans are also subject to mandatory and/or optional prepayment which cannot be predicted. As a result, the remaining maturity may be substantially less than the stated maturity shown (Notes 1 and 5).

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

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

The rates shown on Floating Rate Bonds (FRB) and Floating Rate Notes (FRN) are the current interest rates at May 31, 2005.

At May 31, 2005, liquid assets totaling $83,000 have been designated as collateral for open swap contracts.

Forward currency contracts to buy at May 31, 2005
(aggregate face value $70,749)

	Value	Aggregate face value	Delivery date	Unreal depreci
Euro	$67,436	$70,749	6/15/05	$(3

Forward currency contracts to sell at May 31, 2005
(aggregate face value $2,174,994)

	Value	Aggregate face value	Delivery date	Unreal appreci
British Pound	$321,243	$335,160	6/15/05	$13
Euro	1,728,015	1,839,834	6/15/05	111
				$125

Credit default contracts outstanding at May 31, 2005

	Notional amount	Unreal appreci
Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.35% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.	$24,593	$
Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.55625% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.	24,593	
Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.4625% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.	12,296	
Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.433% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.	9,222	
Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.475% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.	6,148	
Agreement with Goldman Sachs effective September 2, 2004,		

terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.5% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.	3,074
Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.6% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.	3,074
	$

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

Statement of assets and liabilities
May 31, 2005

Assets

Investment in securities, at value (Note 1):	
Unaffiliated issuers (identified cost $69,005,670)	$65,942,018
Affiliated issuers (identified cost $1,082,846) (Note 4)	1,082,846
Dividends, interest and other receivables	1,375,471
Receivable for securities sold	37,305
Receivable for open credit default contracts (Note 1)	3,116
Receivable for open forward currency contracts (Note 1)	125,736
Receivable for closed forward currency contracts (Note 1)	3,458
Total assets	68,569,950

Liabilities

Distributions payable to shareholders	367,800
Payable for securities purchased	80,937
Payable for compensation of Manager (Notes 2 and 4)	128,525
Payable for investor servicing and custodian fees (Note 2)	29,197
Payable for Trustee compensation and expenses (Note 2)	32,185
Payable for administrative services (Note 2)	2,066
Payable for open forward currency contracts (Note 1)	3,313

Other accrued expenses	46,441
Total liabilities	690,464
Net assets	$67,879,486

Represented by

Paid-in capital (Unlimited shares authorized) (Note 1)	$104,875,944
Distributions in excess of net investment income (Note 1)	(504,220)
Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(33,553,444)
Net unrealized depreciation of investments and assets and liabilities in foreign currencies	(2,938,794)
Total -- Representing net assets applicable to capital shares outstanding	$67,879,486

Computation of net asset value

Net asset value per share ($67,879,486 divided by 7,507,107 shares)	$9.04

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

Statement of operations
Year ended May 31, 2005

Investment income:

Interest (including interest income of $34,581 from investments in affiliated issuers) (Note 4)	$5,423,931
Dividends	63,761
Securities lending	189
Total investment income	5,487,881

Expenses:

Compensation of Manager (Note 2)	513,865
Investor servicing fees (Note 2)	34,472
Custodian fees (Note 2)	100,624
Trustee compensation and expenses (Note 2)	14,125
Administrative services (Note 2)	15,681
Auditing	44,357
Other	74,362
Fees waived and reimbursed by Manager (Note 4)	(2,780)

Total expenses	794,706
Expense reduction (Note 2)	(1,161)
Net expenses	793,545
Net investment income	4,694,336
Net realized loss on investments (Notes 1 and 3)	(201,473)
Net realized loss on foreign currency transactions (Note 1)	(18,022)
Net realized gain on swap contracts (Note 1)	1,340
Net unrealized appreciation of assets and liabilities in foreign currencies during the year	125,950
Net unrealized appreciation of investments and swap contracts during the year	1,737,535
Net gain on investments	1,645,330
Net increase in net assets resulting from operations	$6,339,666

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

Statement of changes in net assets

Increase in net assets	Year ended May 31 2005	2004
Operations:		
Net investment income	$4,694,336	$5,039,143
Net realized loss on investments and foreign currency transactions	(218,155)	(846,736)
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	1,863,485	3,612,657
Net increase in net assets resulting from operations	6,339,666	7,805,064
Distributions to shareholders: (Note 1)		
From net investment income	(4,638,801)	(4,993,812)
From return of capital	--	(50,354)
Total increase in net assets	1,700,865	2,760,898
Net assets		
Beginning of year	66,178,621	63,417,723
End of year (including distributions in		

excess of net investment income of $504,220 and $667,383, respectively)	$67,879,486	$66,178,621
Number of fund shares		
Shares outstanding at beginning and end of year	7,507,107	7,507,107

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

Financial highlights
(For a common share outstanding throughout the period)

Per-share operating performance	2005	2004	Year ended 2003
Net asset value, beginning of period	$8.82	$8.45	$8.50
Investment operations:			
Net investment income (a)	.63 (d)	.67 (d)	.73
Net realized and unrealized gain (loss) on investments	.21	.37	(.01)
Total from investment operations	.84	1.04	.72
Less distributions:			
From net investment income	(.62)	(.66)	(.76)
From return of capital	--	(.01)	(.01)
Total distributions	(.62)	(.67)	(.77)
Net asset value, end of period	$9.04	$8.82	$8.45
Market price, end of period	$7.97	$7.92	$9.02
Total return at market price (%)(b)	8.43	(4.99)	4.15
Ratios and supplemental data			
Net assets, end of period (in thousands)	$67,879	$66,179	$63,418
Ratio of expenses to average net assets (%)(c)	1.16 (d)	1.19 (d)	1.22

Ratio of net investment income to average net assets (%)	6.85 (d)	7.57 (d)	9.17
Portfolio turnover (%)	53.12	66.18	73.72

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

(b) Total return assumes dividend reinvestment.

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

(d) Reflects waivers of certain fund expenses in connection with investments in Putnam Prime Money Market Fund during the period. As a result of such waivers, the expenses of the fund for the periods ended May 31, 2005 and May 31, 2004 reflect a reduction of less than 0.01% based on average net assets (Note 4).

(e) Amount represents less than $0.01 per share.

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

Notes to financial statements
May 31, 2005

Note 1
Significant accounting policies

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

In the normal course of business, the fund enters into contracts that may include agreements to indemnify another party under given circumstances. The fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be, but have not yet been, made against the fund. However, the fund expects the risk of material loss to be remote.

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

A) Security valuation Market quotations are not considered to be readily available for certain debt obligations; such investments are valued at fair value on the basis of valuations furnished by an independent pricing service or dealers, approved by the Trustees. Such services or dealers determine valuations for normal institutional-size trading units of such securities using methods based on market transactions for comparable securities and various relationships, generally recognized by institutional traders, between securities. Many securities markets and exchanges outside the U.S. close prior to the close of the New York Stock Exchange and therefore the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the New York Stock Exchange. Accordingly, on certain days, the fund will fair value foreign securities taking into account multiple factors, including movements in the U.S. securities markets. The number of days on which fair value prices will be used will depend on market activity and it is possible that fair value prices will be used by the fund to a significant extent. Securities quoted in foreign currencies are translated into U.S. dollars at the current exchange rate. Short-term investments having remaining maturities of 60 days or less are valued at amortized cost, which approximates fair value. Other investments, including certain 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 Pursuant to an exemptive order from the Securities and Exchange Commission, 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 issues of high-grade short-term investments having maturities of up to 397 days for collateral received under security lending arrangements and up to 90 days for other cash investments.

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

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

Interest income is recorded on the accrual basis. Dividend income, net of applicable withholding taxes, is recognized on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the fund is informed of the ex-dividend date. Non-cash dividends, if any, are recorded at the fair market value of the securities received. All premiums/discounts are amortized /accreted on a yield-to-maturity basis.

The fund earned certain fees in connection with its senior loan purchasing activities. These fees are treated as market discount and are recorded as income in the statement of operations.

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

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

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

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

At May 31, 2005, the fund had a capital loss carryover of $33,361,798 available to the extent allowed by the Code to offset future net capital gain, if any. The amount of the carryover and the expiration dates are:

Loss Carryover	Expiration
$2,584,483	May 31, 2007
4,168,119	May 31, 2008
3,778,275	May 31, 2009
8,384,999	May 31, 2010
11,264,568	May 31, 2011
1,858,608	May 31, 2012
1,322,746	May 31, 2013

Pursuant to federal income tax regulations applicable to regulated investment companies, the fund has elected to defer to its fiscal year ending May 31, 2006 $149,157 of losses recognized during the period November 1, 2004 to May 31, 2005.

I) Distributions to shareholders Distributions to shareholders from net investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. These differences include temporary and permanent differences of losses on wash sale transactions, foreign currency gains and losses, post-October loss deferrals, nontaxable dividends, dividends payable, defaulted bond interest, market discount and interest on payment-in-kind securities. Reclassifications are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. For the year ended May 31, 2005, the fund reclassified $107,628 to decrease distributions in excess of net investment income and $7,135 to increase paid-in-capital, with an increase to accumulated net losses of $114,763.

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

Unrealized appreciation	$2,352,956
Unrealized depreciation	(5,652,039)
Net unrealized depreciation	(3,299,083)
Undistributed ordinary income	187,455
Capital loss carryforward	(33,361,798)
Post-October loss	(149,157)
Cost for federal income tax purposes	$70,323,947

Note 2
Management fee, administrative services and other transactions

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

In June 2005, the Trustees and Putnam Management agreed to a reduced management fee structure for the fund that will go into effect on January 1, 2006. Effective on that date, the fund's management fee is expected to be an annual rate of 0.75% of the weekly average net assets of the fund (based on the fund's current asset level), with additional breakpoints leading to lower fee rates at higher asset levels.

Effective September 13, 2004, Putnam Investments Limited ("PIL"), an affiliate of Putnam Management, is authorized by the Trustees to manage a separate portion of the assets of the fund as determined by Putnam Management from time to time. Putnam Management pays a quarterly sub-management fee to PIL for its services at an annual rate of 0.40% of the average net assets of the portion of the fund managed by PIL.

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

Custodial functions for the fund's assets are provided by Putnam Fiduciary Trust Company ("PFTC"), a subsidiary of Putnam, LLC. Putnam Investor Services, a division of PFTC, provides investor servicing agent functions to the fund. During the year ended May 31, 2005, the fund paid PFTC $135,096 for these services.

The fund has entered into an arrangement with PFTC whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the fund's expenses. For the year ended May 31, 2005, the fund's expenses were reduced by $1,161 under these arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which $539, as a quarterly retainer, has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees receive additional fees for attendance at certain committee meetings. George Putnam III also receives the foregoing fees for his services as Trustee.

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

The fund has adopted an unfunded noncontributory defined benefit pension plan (the "Pension Plan") covering all Trustees of the fund who have served as a Trustee for at least five years. Benefits under the Pension Plan are equal to 50% of the Trustee's average total retainer and meeting fees for the three years preceding retirement. Pension expense for the fund is included in Trustee compensation and expenses in the statement of operations. Accrued pension liability is included in Payable for Trustee compensation and expenses in the statement of assets and liabilities. The Trustees have terminated the Pension Plan with respect to any Trustee first elected after 2003.

Note 3
Purchases and sales of securities

During the year ended May 31, 2005, cost of purchases and proceeds from sales of investment securities other than short-term investments aggregated $35,238,335 and $34,936,536, respectively. There were no purchases or sales of U.S. government securities.

Note 4
Investment in Putnam Prime
Money Market Fund

Pursuant to an exemptive order from the Securities and Exchange Commission, the fund invests in Putnam Prime Money Market Fund, an open-end management investment company managed by Putnam Management. Management fees paid by the fund are reduced by an amount equal to the management and administrative services fees paid by Putnam Prime Money Market Fund with respect to assets invested by the fund in Putnam Prime Money Market Fund. For the year ended May 31, 2005, management fees paid were reduced by $2,780 relating to the fund's investment in Putnam Prime Money Market Fund. Income distributions earned by the fund are recorded as income in the statement of operations and totaled $34,581 for the year ended May 31, 2005. During the year ended May 31, 2005, cost of purchases and cost of sales of investments in Putnam Prime Money Market Fund aggregated $16,538,211 and $17,077,254, respectively.

Note 5
Senior loan commitments

Senior loans are purchased or sold on a when-issued or delayed delivery basis and may be settled a month or more after the trade date; interest income is accrued based on the terms of the securities. Senior loans can be acquired through an agent, by assignment from another holder of the loan, or as a participation interest in another holder's portion of the loan. When the fund invests in a loan or participation, the fund is subject to the risk that an intermediate participant between the fund and the borrower will fail to meet its obligations to the fund, in addition to the risk that the borrower under the loan may default on its obligations.

Note 6
Regulatory matters and litigation

Putnam Management has entered into agreements with the Securities and Exchange Commission and the Massachusetts Securities Division settling charges connected with excessive short-term trading by Putnam employees and, in the case of the charges brought by the Massachusetts Securities Division, by participants in some Putnam-administered 401(k) plans. Pursuant to these settlement agreements, Putnam Management will pay a total of $193.5 million in penalties and restitution, with $153.5

million being paid to shareholders and the funds. The restitution amount will be allocated to shareholders pursuant to a plan developed by an independent consultant, with payments to shareholders following approval of the plan by the SEC and the Massachusetts Securities Division.

The Securities and Exchange Commission's and Massachusetts Securities Division's allegations and related matters also serve as the general basis for numerous lawsuits, including purported class action lawsuits filed against Putnam Management and certain related parties, including certain Putnam funds. Putnam Management will bear any costs incurred by Putnam funds in connection with these lawsuits. Putnam Management believes that the likelihood that the pending private lawsuits and purported class action lawsuits will have a material adverse financial impact on the fund is remote, and the pending actions are not likely to materially affect its ability to provide investment management services to its clients, including the Putnam funds.

Federal tax information
(Unaudited)

The fund has designated 1.12% of the distributions from net investment income as qualifying for the dividends received deduction for corporations.

For its tax year ended May 31, 2005, the fund hereby designates 1.12% or the maximum amount allowable, of its net taxable income as qualified dividends taxed at individual net capital gain rates.

The Form 1099 you receive in January 2006 will show the tax status of all distributions paid to your account in calendar 2005.

Compliance certifications
(Unaudited)

On November 11, 2004, your fund submitted a CEO annual certification to the New York Stock Exchange ("NYSE") on which the fund's principal executive officer certified that he was not aware, as of that date, of any violation by the fund of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the fund's principal executive and principal financial officers have made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q, relating to, among other things, the fund's disclosure controls and procedures and internal control over financial reporting.

About the Trustees

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

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

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

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

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

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

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

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

Myra R. Drucker (1/16/48), Trustee since 2004

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

Prior to joining General Motors Asset Management in 2001, Ms. Drucker held various executive positions in the investment management industry. Ms. Drucker served as Chief Investment Officer of Xerox Corporation (a technology and service company in the document industry), where she was responsible for the investment of the company's pension assets. Ms. Drucker was also Staff Vice President and Director of Trust Investments for International Paper (a paper, paper distribution, packaging and forest products company) and previously served as Manager of Trust Investments for Xerox Corporation. Ms. Drucker received a B.A. degree in Literature and Psychology from Sarah Lawrence College and pursued graduate studies in economics, statistics and portfolio theory at Temple University.

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

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

Mr. Hill is a Director of Devon Energy Corporation, TransMontaigne Oil Company and various private companies controlled by First Reserve Corporation, as well as a Trustee of TH Lee, Putnam Investment Trust (a closed-end investment company advised by an affiliate of Putnam Management). He is also a Trustee of Sarah Lawrence College. Until 2005, he was a Director of Continuum Health Partners of New York.

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

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

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

Dr. Joskow serves as a Director of National Grid Transco (a UK-based holding company with interests in electric and gas transmission and distribution and telecommunications infrastructure) and TransCanada Corporation (an energy company focused on natural gas transmission and power services). Prior to February 2005, he served on the board of the Whitehead Institute for Biomedical Research (a non-profit research institution) and has been President of the Yale University Council since 1993. Prior to February 2002, he was a Director of State Farm Indemnity Company (an automobile insurance company), and, prior to March 2000, he was a Director of New England Electric System (a public utility holding company).

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

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

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

Dr. Kennan served as Chairman and is now Lead Director of Northeast Utilities. Until 2005, she was a Director of Talbots, Inc. She has served as Director on a number of other boards, including Bell Atlantic, Chastain Real Estate, Shawmut Bank, Berkshire Life Insurance and Kentucky Home Life Insurance. She is a Trustee of the National Trust for Historic Preservation, of Centre College and of Midway College in Midway, Kentucky. She is also a member of The Trustees of Reservations.

Dr. Kennan has served on the oversight committee of the Folger Shakespeare Library, as President of Five Colleges Incorporated, as a Trustee of Notre Dame University and is active in various educational and civic associations.

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

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

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

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

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

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

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

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

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

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

Mr. Stephens is Chairman and Chief Executive Officer of Boise Cascade, L.L.C. (a paper, forest products and timberland assets company).

Mr. Stephens serves as a Director of TransCanada Pipelines Limited. Until 2004, Mr. Stephens was a Director of Xcel Energy Incorporated (a public utility company), Qwest Communications, and Norske Canada, Inc.

(a paper manufacturer). Until 2003, Mr. Stephens was a Director of Mail-Well, Inc. (a diversified printing company). He served as Chairman of Mail-Well until 2001 and as CEO of MacMillan- Bloedel, Ltd. (a forest products company) until 1999.

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

Richard B. Worley (11/15/45), Trustee since 2004

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

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

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

Mr. Worley holds a B.S. degree from University of Tennessee and pursued graduate studies in economics at the University of Texas.

Charles E. Haldeman, Jr.* (10/29/48), Trustee since 2004

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

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

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

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

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

Mr. Putnam is a Director of The Boston Family Office, LLC (a registered investment adviser). He is a Trustee of St. Mark's School, Shore Country

Day School, and until 2002 was a Trustee of the Sea Education Association.

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

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

As of May 31, 2005, there were 108 Putnam Funds. All Trustees serve as Trustees of all Putnam funds.

Each Trustee serves for an indefinite term, until his or her resignation, retirement at age 72, death, or removal.

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

Officers

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

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

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

Prior to 2004, Managing Director, Putnam Investments

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

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

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

Managing Director, Putnam Investments

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

Senior Vice President, Putnam Investments

Daniel T. Gallagher (2/27/62)
Senior Vice President, Staff Counsel and Compliance Liaison
Since 2004

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

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

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

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

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

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

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

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

Managing Director, Putnam Investments

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

Senior Vice President, Putnam Investments

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

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

Fund information

About Putnam Investments

One of the largest mutual fund families in the United States, Putnam Investments has a heritage of investment leadership dating back to Judge Samuel Putnam, whose Prudent Man Rule has defined fiduciary tradition and practice since 1830. Founded over 65 years ago, Putnam Investments was built around the concept that a balance between risk and reward is the hallmark of a well-rounded financial program. We presently manage over 100 mutual funds in growth, value, blend, fixed income, and international.

Investment Manager

Putnam Investment
Management, LLC
One Post Office Square
Boston, MA 02109

Investment Sub-Manager

Putnam Investments Limited
57-59 St. James Street
London, England SW1A 1LD

Marketing Services

Putnam Retail Management
One Post Office Square
Boston, MA 02109

Custodian

Putnam Fiduciary Trust Company

Legal Counsel

Ropes & Gray LLP

Independent Registered Public Accounting Firm

KPMG LLP

Trustees

Officers

George Putnam, III
President

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

Jonathan S. Horwitz
Senior Vice President and Treasurer

Steven D. Krichmar
Vice President and Principal
Financial Officer

Michael T. Healy
Assistant Treasurer and
Principal Accounting Officer

Beth S. Mazor
Vice President

Daniel T. Gallagher
Senior Vice President, Staff Counsel
and Compliance Liaison

James P. Pappas
Vice President

Richard S. Robie, III
Vice President

Mark C. Trenchard
Vice President and BSA Compliance Officer

Francis J. McNamara, III
Vice President and Chief Legal Officer

Charles A. Ruys de Perez
Vice President and Chief
Compliance Officer

Judith Cohen
Vice President, Clerk and Assistant Treasurer

Call 1-800-225-1581 weekdays from 9:00 a.m. to 5:00 p.m. Eastern Time, or visit our Web site (www.putnaminvestments.com) anytime for up-to-date information about the fund's NAV.

[LOGO OMITTED]

PUTNAM INVESTMENTS

The Putnam Funds
One Post Office Square
Boston, Massachusetts 02109

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AN707-225865 7/05

Item 2. Code of Ethics:

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

(c) In July 2004, Putnam Investment Management, LLC, the Fund's investment manager, Putnam Retail Management Limited Partnership, the Fund's principal underwriter, and Putnam Investments Limited, the sub-manager for a portion of the assets of certain funds as determined by Putnam Management from time to time, adopted several amendments to their Code of Ethics. Some of these amendments were adopted as a result of Putnam Investment Management's partial settlement order with the SEC on November 13, 2003. Insofar as such Code of Ethics applies to the Fund's principal executive officer, principal financial officer and principal accounting officer, the amendments provided for the following: (i) a 90-day blackout period for all shares of Putnam open-end funds (except for money market funds) purchased or sold (including exchanges into or out of a fund) by Putnam employees and certain family members; (ii) a one-year holding period for all access persons that operates in the same manner as the 90-day rule; (iii) delivery by Putnam employees to the Code of Ethics Administrator of both quarterly account statements for all brokerage accounts (irrespective of activity in the accounts) and account statements for any Putnam funds not held at Putnam or for any funds sub-advised by Putnam; (iv) a prohibition of Putnam employees from making more than 25 trades in individual securities in their personal accounts in any given quarter; (v) the extension of the existing prohibition of access persons from a purchase and sale or sale and purchase of an individual security within 60 days to include trading based on tax-lot election; (vi) the inclusion of trades in Marsh & McLennan Companies, Inc. (ultimate parent company of Putnam Investment Management) securities in pre-clearance and reporting requirements; (vii) a prohibition of limit and good-until-canceled orders as inconsistent with the requirements of daily pre-clearance; (viii) new limits and procedures for accounts managed by outside managers and brokers, in order for trading in such accounts to be exempt from pre-clearance requirements; (ix) a new gift and entertainment policy that imposes a reporting obligation on all meals and entertainment and new limits on non-meal entertainment; (x) a number of alternatives for the reporting of irregular activity.

In December 2004, additional amendments to the Code of Ethics were adopted. Insofar as such Code of Ethics applies to the Fund's principal executive officer, principal financial officer and principal accounting officer, the amendments provided for the following: (i) implementation of minimum monetary sanctions for violations of the Code; (ii) expansion of the definition of "access person" under the Code to include all Putnam employees with access to non-public information regarding Putnam-managed mutual fund portfolio holdings; (iii) lengthening the period during which access persons are required to complete quarterly reports; (iv) reducing the maximum number of trades than can be made by Putnam employees in their personal accounts in any calendar quarter from 25 trades to 10 trades; and (v) lengthening the required holding period for securities by access persons from 60 days to 90 days.

In March 2005, additional amendments to the Code of Ethics were adopted, that went into effect on April 1, 2005. Insofar as such Code of Ethics applies to the Fund's principal executive officer, principal financial officer and principal accounting officer, the amendments (i) prohibit Putnam employees and their immediate family members from having any direct or indirect personal financial interest in companies that do business with Putnam (excluding investment holdings in public companies that are not material to the employee), unless such interest is disclosed and approved by the Code of Ethics Officer; (ii) prohibit Putnam employees from using Putnam assets, letterhead or other resources in making political or campaign contributions, solicitations or endorsements;(iii) require Putnam employees to obtain pre-clearance of personal political or campaign contributions or other gifts to government officials or political candidates in certain jurisdictions and to officials or candidates with whom Putnam has or is seeking to establish a business relationship and (iv) require Putnam employees to obtain pre-approval from Putnam's Director of Government Relations prior to engaging in lobbying activities.

Item 3. Audit Committee Financial Expert:

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

Item 4. Principal Accountant Fees and Services:

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

Fiscal year ended	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
May 31, 2005	$40,500	$--	$3,800	$--
May 31, 2004	$35,200	$--	$3,300	$12

For the fiscal years ended May 31, 2005 and May 31, 2004, the fund's independent auditors billed aggregate non-audit fees in the amounts of $3,800 and $3,312 respectively, to the fund, Putnam Management and any entity controlling, controlled by or under common control with Putnam Management that provides ongoing services to the fund.

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

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

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

All Other Fees Fees represent fees billed for services relating to calculation of investment performance.

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

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

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

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

Fiscal year ended	Audit-Related Fees	Tax Fees	All Other Fees	Total Non-Audit Fees
May 31, 2005	$--	$--	$--	$--
May 31, 2004	$--	$--	$--	$--

Item 5. Audit Committee

(a) The fund has a separately-designated audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The Audit Committee of the fund's Board of Trustees is composed of the following persons:

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

(b) Not applicable

Item 6. Schedule of Investments: Not applicable

Item 7. Disclosure of Proxy Voting Policies and Procedures For Closed-End Management Investment Companies:

Proxy voting guidelines of the Putnam funds

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

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

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

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

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

I. BOARD-APPROVED PROPOSALS

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

Matters relating to the Board of Directors

Uncontested Election of Directors

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

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

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

* the board has not established independent nominating, audit, and compensation committees,

* the board has more than 19 members or fewer than five members, absent special circumstances,

* the board has not acted to implement a policy requested in a shareholder proposal that received the support of a majority of the shares of the company at its previous two annual meetings, or

* the board has adopted or renewed a shareholder rights plan (commonly referred to as a "poison pill") without shareholder approval during the current or prior calendar year.

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

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

* attends less than 75% of board and committee meetings without valid reasons for the absences (e.g., illness, personal emergency, etc.),

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

* serves on more than five unaffiliated public company boards (for the purpose of this guideline, boards of affiliated registered

investment companies will count as one board).

Commentary:

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

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

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

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

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

Contested Elections of Directors

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

Classified Boards

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

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

Other Board-Related Proposals

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

Executive Compensation

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

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

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

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

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

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

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

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

Capitalization

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

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

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

The funds will vote for proposals authorizing share repurchase programs.

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

Acquisitions, Mergers, Reincorporations, Reorganizations and Other Transactions

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

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

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

Anti-Takeover Measures

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

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

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

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

Other Business Matters

Many proxies involve approval of routine business matters, such as changing a company's name, ratifying the appointment of auditors, and procedural matters relating to the shareholder meeting. For the most part, these routine matters do not materially affect shareholder interests and are best left to the board of directors and senior management of the company. The funds will vote for board-approved proposals approving such matters, except as follows:

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

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

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

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

II. SHAREHOLDER PROPOSALS

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

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

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

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

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

Commentary: In light of the substantial reforms in corporate governance that are currently underway, the funds' Trustees believe that effective corporate reforms should be promoted by holding boards of directors - and in particular their independent directors - accountable for their actions, rather than imposing additional legal restrictions on board governance through piecemeal proposals. Generally speaking, shareholder proposals relating to business operations are often motivated primarily by political or social concerns, rather than the interests of shareholders as investors in an economic enterprise. As stated above, the funds' Trustees believe that boards of directors and management are responsible for ensuring that their businesses are operating in accordance with high legal and ethical standards and should be held accountable for resulting corporate behavior. Accordingly, the funds will generally support the recommendations of boards that meet the basic independence and governance standards established in these guidelines. Where boards fail to meet these standards, the funds will generally evaluate shareholder proposals on a case-by-case basis.

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

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

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

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

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

Uncontested Election of Directors

Japan

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

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

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

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

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

Commentary:

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

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

Korea

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

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

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

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

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

United Kingdom

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

* the board does not have at least a majority of independent non-executive directors,

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

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

non-executive directors.

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

Commentary:

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

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

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

Canada

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

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

Other Matters

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

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

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

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

As adopted December 10, 2004

Proxy Voting Procedures of the Putnam Funds

The proxy voting procedures below explain the role of the funds' Trustees, the proxy voting service and the Proxy Coordinator, as well as how the process will work when a proxy question needs to be handled on a case-by-case basis, or when there may be a conflict of interest.

The role of the funds' Trustees

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

The role of the proxy voting service

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

The role of the Proxy Coordinator

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

Voting procedures for referral items

As discussed above, the proxy voting service will refer proxy questions to the Proxy Coordinator under certain circumstances. When the application of the proxy voting guidelines is unclear or a particular proxy question is not covered by the guidelines (and does not involve investment considerations), the Proxy Coordinator will assist in interpreting the guidelines and, as appropriate, consult with one of more senior staff members of the Office of the Trustees and the Chair of the Board Policy and Nominating Committee on how the funds' shares will be voted.

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

In some situations, the Proxy Coordinator and/or one of more senior staff members of the Office of the Trustees may determine that a particular proxy question raises policy issues requiring consultation with the Chair of the Board Policy and Nominating Committee, who, in turn, may decide to bring the particular proxy question to the Committee or the full Board of Trustees for consideration.

Conflicts of interest

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

As adopted March 11, 2005

Item 8. Purchases of Equity Securities by Closed-End Management Investment Companies and Affiliated Purchasers: Not applicable

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

Not applicable

Item 10. Controls and Procedures:

(a) The registrant's principal executive officer and principal financial officer have concluded, based on their evaluation of the effectiveness of the design and operation of the registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report, that the design and operation of such procedures are generally effective to provide reasonable assurance that information required to be disclosed by the registrant in this report is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

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

Item 11. Exhibits:

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

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

SIGNATURES

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

NAME OF REGISTRANT

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

Michael T. Healy
Principal Accounting Officer

Date: July 28, 2005

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

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

Charles E. Porter
Principal Executive Officer

Date: July 28, 2005

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

Steven D. Krichmar
Principal Financial Officer

Date: July 28, 2005