

PUTNAM MASTER INTERMEDIATE INCOME TRUST  
Form N-CSR  
November 25, 2003

Putnam  
Master  
Intermediate  
Income Trust

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

ANNUAL REPORT ON PERFORMANCE AND OUTLOOK

9-30-03

[GRAPHIC OMITTED: YELLOW WATCH DUO]

[SCALE LOGO OMITTED]

From the Trustees

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

John A. Hill and  
George Putnam, III

Dear Fellow Shareholder:

You may have seen media coverage of market timing allegations involving Putnam Investments. A separate letter has been sent to you detailing the steps being taken by Putnam Investments to address these matters. In addition, the Board of Trustees of The Putnam Funds is conducting an independent investigation of these issues. When that investigation is complete, we will report to you on the steps we are taking to make sure that nothing like this happens in the future. We will, of course, ensure that your fund is fully compensated for any losses resulting from improper trading activity at Putnam. We appreciate your loyalty and want you to know that we intend to restore full confidence in Putnam, an organization that aspires to the highest ethical and business standards.

The balance of this report focuses on the performance of your fund. We are pleased to report that Putnam Master Intermediate Income Trust recorded a robust gain, at net asset value, for the fiscal year ended September 30, 2003. It strongly outperformed its primary benchmark index, though it came in slightly below its Lipper category average. You will find the details on the facing page.

The management team's decision to focus more heavily on lower-rated higher-yielding bonds provided the impetus behind these results. Their efforts to reduce the fund's sensitivity to interest-rate changes proved successful and a favorable currency strategy also contributed to the positive performance.

In the following report, the managers provide a detailed discussion of their approach to the market environment that prevailed during the period. They also offer their views on the fund's prospects for fiscal 2004.

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Respectfully yours,

/S/ JOHN A. HILL

/S/ GEORGE PUTNAM, III

John A. Hill  
Chairman of the Trustees

George Putnam, III  
President of the Funds

November 19, 2003

Report from Fund Management

Fund highlights

- \* During the fiscal year ended September 30, 2003, Putnam Master Intermediate Income Trust had a total return at net asset value (NAV) of 20.42%. The fund's return at market price was 8.35%.
- \* The fund outperformed its primary benchmark, the Lehman Government Credit Index, which returned 6.51% during the period. The fund's other comparative indexes, the Citigroup Non-U.S. World Government Bond Index and the JP Morgan Global High Yield Index, returned 17.80% and 27.18%, respectively.
- \* Due to its underweighting in emerging-market securities, the fund underperformed the average return of 21.85% for the Lipper Flexible Income Funds (closed-end) category.
- \* The fund's lower performance at market price was primarily the result of a reduction in the fund's dividend, which occurred in February 2003. See page 5 for details.
- \* See the Performance Summary beginning on page 7 for complete fund performance, comparative performance, and Lipper data.

Performance commentary

The fund's fiscal year began just weeks before a turning point in the bond market. Starting in mid October 2002, higher-yielding, non-Treasury bonds began to significantly outperform Treasuries. This outperformance benefited the fund, which was invested predominantly in such bonds -- corporate investment-grade and high-yield bonds, emerging-market bonds, and mortgage-backed securities. As bonds from these sectors appreciated, the credit spread, or difference in yield between Treasuries and these higher-yielding securities, narrowed, bolstering the fund's returns. As a result, the fund strongly outperformed its benchmark index, which is composed of lower-yielding, higher-quality bonds (including Treasuries). The fund's underperformance of its Lipper category average reflects our underweighting of emerging-market securities relative to other funds in the category, discussed further on page 3.

FUND PROFILE

Putnam Master Intermediate Income Trust seeks high current income and relative stability by investing in limited-maturity bonds in the investment-grade and high-yield sectors, as well as non-U.S. bond markets. The fund is designed for investors seeking high current income, asset class diversification, or both.

The significantly lower return at market price reflects a reduction in the fund's dividend, which caused investor demand for the fund -- a key

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factor in market price performance -- to decline.

### Market overview

The beginning of this fund's fiscal year in October 2002 marked a seminal change in the global credit markets. Hints of an economic recovery, a passing of the September 11 anniversary, and an improvement in the stock market all contributed to a sudden improvement in the direction of credit spreads. As a result, investment-grade corporate bonds, high-yield corporate bonds, and emerging-market bonds all significantly outperformed U.S. Treasuries over the course of the reporting period.

In July and August of 2003, Treasury prices declined sharply after rallying in May and the first half of June. Having reached a historical low of 3.11% on June 13, the benchmark 10-year Treasury yield -- which moves in the opposite direction to its price -- then increased by over one and a half percentage points by the beginning of September -- an extremely large increase for a 10-week period. While this event shook all fixed-income sectors, higher-yielding bonds with lower sensitivity to interest-rate changes (which made up much of the fund's portfolio) fared much better than Treasuries.

Mortgage-backed securities performed well for much of the year, but their performance suffered somewhat during the summer because of excessive refinancing. When homeowners refinance their mortgages at lower rates, they "prepay" their existing mortgages, hurting investors who have been receiving these higher levels of interest income.

Emerging markets generally fared well, with above-average returns that we attribute to higher commodity prices, especially oil prices. The dollar continued to move lower relative to other major currencies, including the yen and the euro, as low interest rates and the threat of deflation in the United States caused global investors to seek higher returns in other countries.

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### MARKET SECTOR PERFORMANCE 12 MONTHS ENDED 9/30/03

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#### Bonds

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Lehman Government Credit Index	6.51%
JP Morgan Global Diversified Emerging Markets Index	29.19%
Citigroup Non-U.S. World Government Bond Index (international bonds)	17.80%
JP Morgan Global High Yield Index (high-yield bonds)	27.18%

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#### Equities

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S&P 500 Index (broad stock market)	24.40%
Russell 2000 Growth Index (small-company growth stocks)	41.72%
Russell 2000 Value Index (small-company value stocks)	31.66%

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These indexes provide an overview of performance in different market sectors for the 12 months ended 9/30/03.

Strategy overview

Several of the fund's areas of emphasis -- including high-yield bonds, mortgage-backed securities (MBSs), and international bonds -- performed well during the period. Our significant allocation to high-yield corporate bonds, which increased during the second half of the period, was particularly helpful, as they were among the strongest-performing fixed-income securities over the period. As yield spreads narrowed toward the end of the period, we reduced this allocation, but still maintain a large high-yield weighting. We sought to keep the fund's exposure to another higher-risk area of the portfolio -- emerging-market securities -- low (relative to the fund's competitors). Because this subgroup of the fund's international holdings delivered strong performance, our strategy detracted from the fund's relative performance.

Over the second half of the fiscal year, the fund was much less sensitive to interest-rate changes than other funds in its category, reflecting our decision to keep the portfolio duration (a measure of interest-rate sensitivity) relatively short. While rates continued to decline in May and June, this positioning hurt relative performance, but when rates spiked in July and August, the fund gained significant ground against funds in its peer group. The fund's currency strategy has been on target; we emphasized the Australian dollar and European currencies, and continued to underweight the U.S. dollar. Toward the end of the fiscal year, we also began to increase our emphasis on the yen. All of these positions were beneficial to the fund's absolute and relative performance.

[GRAPHIC OMITTED: horizontal bar chart SECTOR WEIGHTINGS COMPARED]

SECTOR WEIGHTINGS COMPARED

	as of 3/31/03	as of 9/30/03
High yield	45.9%	48.1%
U.S. investment grade	31.1%	27.2%
International	23.0%	24.7%

Footnote reads:

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

How fund holdings and sector allocations affected performance

Throughout the year, the fund's largest sector weighting (close to half of its assets) was in high-yield bonds, and this position was a significant contributor to the fund's strong returns during the period. High-yield bonds have performed well during the past 12 months for several reasons. Among the most important is the decline in default

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rates. Although still high by historical standards, corporate defaults have steadily declined since hitting a peak in January 2002. This trend has been seen as a positive sign that, if it continues, may help high-yield bond performance over the next several years. Second, fixed-income investors have been seeking higher yields and have become more willing to take on risk in exchange. As a result, high-yield bonds have significantly outperformed Treasuries, causing a narrowing in the yield spread between Treasuries and high-yield bonds. This narrowing has been another strong driver of high-yield bond performance. Finally, corporations are generally focusing on reducing debt, improving their balance sheets, and increasing profits -- all of which have generally helped improve credit quality in the high-yield market.

[GRAPHIC OMITTED: TOP HOLDINGS]

### TOP HOLDINGS

#### High Yield Sector

- 1 HMM Properties, Inc.  
Company guaranty, Ser B, 7 78s, 2008
- 2 Qwest Services Corp  
144A notes 13 12s, 2010
- 3 Pioneer Natural Resources Co.  
Company guaranty 9 58s, 2010

#### International Sector

- 1 Russia (Federation of)  
Unsubordinated bonds 8 14s, 2010
- 2 United Kingdom  
Treasury bonds, 7 12s, 2006
- 3 Germany (Federal Republic of)  
Bonds, Ser. 95 7 38s, 2005

#### U.S. Investment Grade Sector

- 1 Government National  
Mortgage Association  
Pass through certificates, 5s, TBA  
October 1, 2033
- 2 Federal National Mortgage Association  
Pass through certificates, 6 12s, TBA  
October 1, 2032
- 3 US Government Treasury notes  
1 58s, March 31, 2005

#### Footnote reads:

These holdings represent 16.5% of the funds net assets as of 9/30/03. Portfolio holdings will vary over time.

Bonds of several corporate high-yield issuers performed well for the fund during the past year, including those of HMM Properties, Inc. and Qwest Services Corp. HMM, which owns the Marriott hotel chain, has benefited from an improvement in the hotel business since 9/11. The

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company is financially strong and has dependable cash flows. Qwest, a telecommunications company, has increased significantly in price and is one of the fund's top-performing high-yield holdings. We felt it was attractively valued, and the market has concurred in the past six months. Qwest has worked through an SEC investigation of its accounting practices, sold its directory business, and cut costs and reduced debt.

Some industrial holdings made positive contributions in the high-yield portion of the fund, including Tyco, a conglomerate, and Georgia Pacific, a large paper company. These firms benefited from the strength of the high-yield bond market and the recovering economy, which has translated into increased availability of funding for them.

The fund's holdings of AK Steel Corp. and Collins and Aikman Products, an auto and truck parts maker, detracted from performance during the period due to disappointing earnings. However, if the economy continues to grow, as we believe it will, we expect these holdings to benefit. We have maintained the fund's positions. Mortgage-backed securities (MBSs), a subgroup within the fund's U.S. investment-grade sector, were among the weakest-performing securities in the fund on a relative basis, primarily because of the refinancing crunch that occurred in the spring and summer of 2003. However, our strategy of investing in different types of MBSs helped us take advantage of the diversification this sector offers while maximizing the available opportunities. For example, we invested in commercial mortgage-backed securities, which are less prone to refinancing than residential mortgages, as well as agency-wrapped FHA/VA reperforming MBSs. These are traditional mortgage-backed securities in which the borrowers have become delinquent on making payments for a period of time and, as a result, the securities are less likely to be refinanced. Because these securities are guaranteed by government-sponsored agencies (Fannie Mae and Freddie Mac), they do not represent a major credit risk, and the fund has benefited from the higher income that they produce.

The fund's international bonds benefited from slowing global economies, especially in Europe, where the fund's Swedish government bonds outperformed. These securities attracted investors in part because they outperformed German government bonds. Canadian and New Zealand government bonds also performed well for the fund, benefiting from the countries' commodity-based economies. European high-yield bonds, a small allocation in the fund, had weaker performance than their U.S. counterparts, primarily as a result of slower economic growth in Europe, but they still made a solid contribution during the year.

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

As a result of significant declines in the yields of shorter- and intermediate-duration bonds over the past several years, the level of income produced by the fund's holdings has declined. In February 2003, the fund lowered its distribution rate from \$0.045 per share to \$0.038 per share.

The fund's management team

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

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The outlook for your fund

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

We anticipate continued interest-rate volatility in the coming months as investors come to terms with two different economic scenarios. The first is a continuation of the cyclical recovery from recession, which has been stimulated by tax cuts, low interest rates, and increased capital spending among corporations, as well as signs of growth in Asia. These trends, if they continue, could lead to faster growth and potentially higher inflation. Higher inflation, in turn, could lead to higher interest rates, which would hurt your fund's performance. In the second scenario, certain structural "headwinds" could dampen growth. These inhibitors may include lower-than-expected corporate profits, a decline in consumer spending, a lack of new job creation, and a dearth of much-needed corporate capital spending. A positive effect of slower growth would be lower inflation and lower interest rates, which would be positive for the bond market and for your fund.

The conflict between stimulating and inhibiting forces on the economy may produce higher volatility in the bond market in the months ahead, but we believe that your fund's holdings, which are well diversified and generally less sensitive to interest-rate movements than Treasuries, should continue to perform as the economy sorts itself out. Since the fund is so well diversified, certain sectors and holdings in the portfolio have the potential to benefit from either faster or slower growth. For example, the fund's emphasis on a shorter portfolio duration, which is designed to reduce sensitivity to interest-rate changes, may help mitigate the negative impact of rising interest rates, while the fund's high-yield bond holdings should benefit from continued strength in the economy.

We would like to caution shareholders that the strong returns of the past year are well above the historical average for a fund of this type, and that this strong performance is not likely to be repeated. That being said, we believe that for those seeking income, investing in a well-diversified fund such as this one remains a sensible approach.

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

Performance summary

This section provides information about your fund's performance during its fiscal year, which ended September 30, 2003. Performance should always be considered in light of a fund's investment strategy. Past performance does not indicate future results. More recent returns may be less or more than those shown. Investment return, net asset value, and market price will fluctuate and you may have a gain or a loss when you sell your shares. A profile of your fund's strategy appears on the first page of this report. See page 8 for definitions of some terms used in

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this section.

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TOTAL RETURN FOR PERIODS ENDED 9/30/03

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	NAV	Market price
1 year	20.42%	8.35%
5 years	33.98	29.04
Annual average	6.02	5.23
10 years	86.65	82.09
Annual average	6.44	6.18
Life of fund (since 4/29/88)		
Annual average	7.92	6.81

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Performance does not reflect taxes on reinvested distributions.

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COMPARATIVE INDEX RETURNS FOR PERIODS ENDED 9/30/03

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	Lehman Govt. Credit Index	Citigroup Non-U.S. World Govt. Bond Index	JP Morgan Global High Yield Index+	CSFB High Yield Index	Lipper Flexible Income Funds (closed-end) category average*
1 year	6.51%	17.80%	27.18%	28.05%	21.85%
5 years	38.24	27.17	29.84	32.62	31.51
Annual average	6.69	4.92	5.36	5.81	5.29
10 years	95.82	80.00	--	99.52	78.39
Annual average	6.95	6.05	--	7.15	5.90
Life of fund (since 4/29/88)					
Annual average	8.50	7.02	--	9.09	8.06

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

\* Over the 1-, 5-, and 10-year periods ended 9/30/03, there were 12, 12, and 9 funds, respectively, in this Lipper category.

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



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PRICE AND DISTRIBUTION INFORMATION 12 MONTHS ENDED 9/30/03		
Distributions (number)	12	
Income	\$0.484	
Capital gains	--	
Total	\$0.484	
Share value:	NAV	Market price
9/30/02	\$6.26	\$6.38
9/30/03	6.99	6.41
Current return (end of period)		
Current dividend rate 1	6.52%	7.11%

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

### Terms and definitions

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

Net asset value (NAV) is the value of all your fund's assets, minus any 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 the New York Stock Exchange.

### Comparative indexes

Citigroup (formerly Salomon Smith Barney) Non-U.S. World Government Bond Index is an unmanaged index of government bonds from 10 countries.

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

JP Morgan Global Diversified Emerging Markets Index is an unmanaged index of global emerging markets fixed-income securities.

Lehman Government Credit Index is an unmanaged index of U.S fixed-income securities.

Russell 2000 Growth Index is an unmanaged index of those companies in the Russell 2000 Index chosen for their growth orientation.

Russell 2000 Value Index is an unmanaged index of those companies in the Russell 2000 Index chosen for their value orientation.

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

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

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

### Putnam's policy on confidentiality

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

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

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

If you would like clarification about our confidentiality policies or have any questions or concerns, please don't hesitate to contact us at 1-800-225-1581, Monday through Friday, 8:30 a.m. to 7:00 p.m., or Saturdays from 9:00 a.m. to 5:00 p.m. Eastern Time.

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

### A guide to the financial statements

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

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

Statement of assets and liabilities shows how the fund's net assets and share price are determined. All investment and noninvestment assets are

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

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

### Independent auditors' report

The Board of Trustees and Shareholders  
Putnam Master Intermediate Income Trust:

We have audited the accompanying statement of assets and liabilities of Putnam Master Intermediate Income Trust, including the fund's portfolio, as of September 30, 2003, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the four years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of September 30, 2003 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.

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In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Putnam Master Intermediate Income Trust as of September 30, 2003, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the four years in the period then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Boston, Massachusetts

November 17, 2003

The fund's portfolio

September 30, 2003

Corporate bonds and notes (51.1%) (a)

	Value
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Advertising and Marketing Services (0.2%)

\$238,719 Adams Outdoor Advertising bank term loan FRN 4.5844s, 2008 (acquired 4/2/03, cost \$238,121) (RES)	\$239,117
200,000 Lamar Media Corp. bank term loan FRN Ser. B, 3.4375s, 2010 (acquired 2/27/03, cost \$200,000) (RES)	201,250
560,000 Lamar Media Corp. company guaranty 7 1/4s, 2013	585,200
	1,025,567

Automotive (1.0%)

1,020,000 Collins & Aikman Products company guaranty 10 3/4s, 2011	887,400
160,000 Dana Corp. notes 10 1/8s, 2010	178,800
675,000 Dana Corp. notes 9s, 2011	739,125
EUR 50,000 Dana Corp. notes 9s, 2011	61,126
\$295,000 Dana Corp. notes 6 1/2s, 2009	295,000
360,000 Dana Corp. notes 6 1/4s, 2004	363,600
160,000 Delco Remy International, Inc. company guaranty 11s, 2009	145,600
390,000 Delco Remy International, Inc. company guaranty 10 5/8s, 2006	369,525
420,000 Dura Operating Corp. company guaranty Ser. D, 9s, 2009	390,600
180,000 Hayes Lemmerz International, Inc. bank term loan FRN 5.9267s, 2009 (acquired 6/3/03, cost \$178,200) (RES)	181,406
805,000 Lear Corp. company guaranty Ser. B, 8.11s, 2009	925,750
EUR 215,000 Lear Corp. sr. notes 8 1/8s, 2008	282,867
\$113,361 SPX Corp. bank term loan FRN Ser. B, 3.375s, 2009 (acquired 7/23/02, cost \$42,524) (RES)	114,034
EUR 300,000 Teksid Aluminum 144A company guaranty 11 3/8s, 2011 (Luxembourg)	354,540

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\$485,000	Tenneco Automotive, Inc. company guaranty Ser. B, 11 5/8s, 2009	477,725
750,000	Tenneco Automotive, Inc. 144A sec. notes 10 1/4s, 2013	813,750
150,000	TRW Automotive bank term loan FRN Ser. C-1, 4.13s, 2011 (acquired 7/21/03, cost \$150,000) (RES)	150,703
		-----
		6,731,551

Basic Materials (5.4%)

10,000	Abitibi-Consolidated Finance LP company guaranty 7 7/8s, 2009	10,741
960,000	Acetex Corp. sr. notes 10 7/8s, 2009 (Canada)	1,063,200
145,000	Acetex Corp. 144A sr. notes 10 7/8s, 2009 (Canada)	160,588
1,060,000	AK Steel Corp. company guaranty 7 3/4s, 2012	731,400
154,144	Appleton Papers, Inc. bank term loan FRN Ser. C, 4.3764s, 2006 (acquired 6/4/02, cost \$154,722) (RES)	154,658
785,000	Appleton Papers, Inc. company guaranty Ser. B, 12 1/2s, 2008	859,575
780,000	Armco, Inc. sr. notes 9s, 2007	561,600
85,000	Avecia Group PLC company guaranty 11s, 2009 (United Kingdom)	74,375
575,000	Better Minerals & Aggregates Co. company guaranty 13s, 2009	370,875
530,000	Compass Minerals Group, Inc. company guaranty 10s, 2011	583,000
1,041,866	Doe Run Resources Corp. company guaranty Ser. A1, 11 3/4s, 2008 (acquired various dates from 7/27/01 to 5/27/03, cost \$554,349) (RES) (PIK)	416,746
765,000	Dow Chemical Co. (The) notes 5 3/4s, 2009	813,565
195,000	Equistar Chemical notes 6 1/2s, 2006	184,275
185,000	Equistar Chemicals LP notes 8 3/4s, 2009	172,975
1,690,000	Equistar Chemicals LP/Equistar Funding Corp. company guaranty 10 1/8s, 2008	1,681,550
390,000	Equistar Chemicals LP/Equistar Funding Corp. 144A sr. notes 10 5/8s, 2011	386,100
985,000	Georgia-Pacific Corp. company guaranty 8 7/8s, 2010	1,078,575
505,000	Georgia-Pacific Corp. debs. 9 1/2s, 2011	559,288
451,000	Georgia-Pacific Corp. 144A sr. notes 7 3/8s, 2008	465,094
545,000	Gerdau Ameristeel Corp/Gusap Partners 144A sr. notes 10 3/8s, 2011 (Canada)	547,725
150,000	Graphics Packaging bank term loan FRN 3.86s, 2010 (acquired 8/6/03, cost \$150,000) (RES)	150,713
198,500	Hercules, Inc. bank term loan FRN Ser. B, 4.3681s, 2007 (acquired 12/17/02, cost \$198,004) (RES)	198,996
2,140,000	Hercules, Inc. company guaranty 11 1/8s, 2007	2,477,050
485,000	Huntsman Advanced Materials, LLC	

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	144A sec. notes 11s, 2010	504,400
567,004	Huntsman Corp. bank term loan FRN Ser. A, 5.9508s, 2007 (acquired various dates from 6/10/02 to 9/24/03, cost \$504,775) (RES)	518,337
301,555	Huntsman Corp. bank term loan FRN Ser. B, 8.4375s, 2007 (acquired various dates from 6/10/02 to 9/24/03, cost \$269,037) (RES)	275,672
1,030,000	Huntsman ICI Chemicals, Inc. company guaranty 10 1/8s, 2009	973,350
1,375,000	Huntsman ICI Holdings sr. disc. notes zero %, 2009	543,125
EUR 415,000	Huntsman International, LLC sr. sub. notes Ser. EXCH, 10 1/8s, 2009	420,371
\$265,000	Huntsman LLC 144A sec. notes 11 5/8s, 2010	261,025
240,000	IMC Global, Inc. company guaranty Ser. B, 11 1/4s, 2011	249,600
395,000	IMC Global, Inc. company guaranty Ser. B, 10 7/8s, 2008	410,800
1,385,000	ISP Chemco, Inc. company guaranty Ser. B, 10 1/4s, 2011	1,544,275
275,000	ISP Holdings, Inc. sec. sr. notes Ser. B, 10 5/8s, 2009	298,375
60,000	Kaiser Aluminum & Chemical Corp. sr. notes Ser. B, 10 7/8s, 2006 (In default) (NON)	46,200
1,685,000	Kaiser Aluminum & Chemical Corp. sr. sub. notes 12 3/4s, 2003 (In default) (NON)	134,800
400,000	Louisiana-Pacific Corp. sr. notes 8 7/8s, 2010	465,000
335,000	Lyondell Chemical Co. bonds 11 1/8s, 2012	329,975
135,000	Lyondell Chemical Co. company guaranty 9 1/2s, 2008	125,550
5,000	Lyondell Chemical Co. company guaranty 9 1/2s, 2008	4,625
1,370,000	Lyondell Chemical Co. notes Ser. A, 9 5/8s, 2007	1,301,500
EUR 800,000	MDP Acquisitions PLC sr. notes 10 1/8s, 2012 (Ireland)	1,017,598
\$85,000	MDP Acquisitions PLC sr. notes 9 5/8s, 2012 (Ireland)	93,075
330,502	MDP Acquisitions PLC sub. notes 15 1/2s, 2013 (Ireland) (PIK)	364,378
EUR 210,000	Messer Griesheim Holdings AG sr. notes 10 3/8s, 2011 (Germany)	280,200
\$980,000	Millennium America, Inc. company guaranty 9 1/4s, 2008	1,016,750
10,000	Millennium America, Inc. company guaranty 7s, 2006	9,750
190,000	Millennium America, Inc. 144A sr. notes 9 1/4s, 2008	197,125
500,000	Noveon International bonds 13s, 2011	515,000
460,000	Noveon International company guaranty Ser. B, 11s, 2011	519,800
935,000	OM Group, Inc. company guaranty 9 1/4s, 2011	920,975
900,000	Pacifica Papers, Inc. sr. notes 10s, 2009 (Canada)	954,000
509,465	PCI Chemicals Canada sec. sr. notes	

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10s, 2008 (Canada)	441,961
243,657 Pioneer Cos., Inc. sec. FRN 4.64s, 2006	211,372
805,000 Potlatch Corp. company guaranty 10s, 2011	893,550
505,000 Resolution Performance Products, LLC sr. notes 9 1/2s, 2010	517,625
295,000 Rhodia SA 144A sr. sub. notes 8 7/8s, 2011 (France)	289,100
310,000 Royster-Clark, Inc. 1st mtge. 10 1/4s, 2009	241,800
285,000 Salt Holdings Corp. 144A sr. disc. notes stepped-coupon zero % (12s, 6/1/06), 2013 (STP)	171,000
775,000 Salt Holdings Corp. 144A sr. notes stepped-coupon zero % (12 3/4s, 12/15/07), 2012 (STP)	542,500
80,000 Smurfit-Stone Container Corp. company guaranty 8 1/4s, 2012	83,600
850,000 Solutia, Inc. company guaranty 11 1/4s, 2009	824,500
885,000 Steel Dynamics, Inc. company guaranty 9 1/2s, 2009	946,950
137,417 Sterling Chemicals, Inc. sec. notes 10s, 2007 (PIK)	129,172
930,000 Stone Container Corp. sr. notes 9 3/4s, 2011	1,009,050
350,000 Stone Container Corp. sr. notes 9 1/4s, 2008	380,625
800,000 Stone Container Corp. sr. notes 8 3/8s, 2012	840,000
300,000 Tembec Industries, Inc. company guaranty 8 1/2s, 2011 (Canada)	292,500
80,000 Tembec Industries, Inc. company guaranty 7 3/4s, 2012 (Canada)	75,200
50,000 Texas Petrochemical Corp. sr. sub. notes 11 1/8s, 2006 (In default) (NON)	14,000
200,000 Texas Petrochemical Corp. sr. sub. notes Ser. B, 11 1/8s, 2006 (In default) (NON)	56,000
745,000 Ucar Finance, Inc. company guaranty 10 1/4s, 2012	813,913
605,000 United States Steel Corp. sr. notes 9 3/4s, 2010	620,125
510,000 WCI Steel, Inc. sr. notes Ser. B, 10s, 2004 (In default) (NON)	153,000
38,500 Weirton Steel Corp. sr. notes 10s, 2008 (In default) (NON)	5,775
780,000 Wheeling-Pittsburgh Steel Corp. sr. notes 9 1/4s, 2007 (In default) (NON)	85,800
410,000 WHX Corp. sr. notes 10 1/2s, 2005	352,600
	-----
	37,990,013

Building Materials (0.6%)

1,075,000 American Standard Cos., Inc. company guaranty 7 5/8s, 2010	1,198,625
270,000 Atrium Cos., Inc. company guaranty Ser. B, 10 1/2s, 2009	288,900
320,000 Building Materials Corp. company guaranty 8s, 2008	320,000
775,000 Dayton Superior Corp. 144A sec. notes 10 3/4s, 2008	794,375

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190,000	NCI Building Systems, Inc. bank term loan FRN Ser. B, 4.35s, 2008 (acquired 9/4/02, cost \$190,000) (RES)	190,871
450,000	Nortek, Inc. sr. notes Ser. B, 8 7/8s, 2008	465,750
90,000	Nortek, Inc. sr. sub. notes Ser. B, 9 7/8s, 2011	94,725
330,000	Nortek, Inc. 144A sr. notes Ser. B, 9 1/8s, 2007	339,900
1,510,000	Owens Corning notes 7 1/2s, 2005 (In default) (NON)	681,388
		-----
		4,374,534

Capital Goods (5.0%)

250,000	Advanced Glass Fiber Yarns bank term loan FRN Ser. A, 6 1/2s, 2004 (acquired 9/12/02, cost \$175,000) (RES)	150,000
230,000	Advanced Glass Fiber Yarns sr. sub. notes 9 7/8s, 2009 (In default) (NON)	2,300
830,000	AEP Industries, Inc. sr. sub. notes 9 7/8s, 2007	815,475
209,084	Alliant Techsystems, Inc. bank term loan FRN Ser. C, 3.4924s, 2009 (acquired 5/7/02, cost \$209,084) (RES)	210,260
154,286	Allied Waste Industries, Inc. bank term loan FRN 4.3927s, 2010 (acquired 4/25/03, cost \$154,286) (RES)	155,760
25,714	Allied Waste Industries, Inc. bank term loan FRN Ser. C, 4.393s, 2010 (acquired 4/25/03, cost \$25,714) (RES)	25,939
1,430,000	Allied Waste North America, Inc. company guaranty Ser. B, 9 1/4s, 2012	1,580,150
480,000	Allied Waste North America, Inc. company guaranty Ser. B, 8 7/8s, 2008	519,600
1,175,000	Allied Waste North America, Inc. company guaranty Ser. B, 8 1/2s, 2008	1,263,125
20,000	Allied Waste North America, Inc. company guaranty Ser. B, 7 5/8s, 2006	20,900
330,000	Allied Waste North America, Inc. 144A Structured Notes 8.2s, 2006 (issued by Credit and Repackaged Securities, Ltd.) (Cayman Islands)	350,559
200,000	Amsted Industries bank term loan FRN 5.12s, 2010 (acquired 8/12/03, cost \$199,000) (RES)	200,583
1,320,000	Argo-Tech Corp. company guaranty 8 5/8s, 2007	1,280,400
200,000	Argo-Tech Corp. company guaranty Ser. D, 8 5/8s, 2007	194,000
500,000	BE Aerospace, Inc. sr. sub. notes 9 1/2s, 2008	455,000
135,000	BE Aerospace, Inc. sr. sub. notes Ser. B, 8 7/8s, 2011	116,775
670,000	BE Aerospace, Inc. sr. sub. notes Ser. B, 8s, 2008	584,575
290,000	Berry Plastics Corp. company guaranty 10 3/4s, 2012	324,075
945,000	Blount, Inc. company guaranty 13s, 2009	841,050



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	945,000	Blount, Inc. company guaranty 7s, 2005	926,100
	555,000	Briggs & Stratton company guaranty 8 7/8s, 2011	621,600
	270,000	Browning-Ferris Industries, Inc. sr. notes 6 3/8s, 2008	262,238
EUR	575,000	BSN Financing Co. SA company guaranty Ser. EUR, 10 1/4s, 2009 (Luxembourg)	684,536
EUR	340,000	BSN Glasspack 144A sec. notes 9 1/4s, 2009 (France)	403,779
	\$200,000	Crown Cork & Seal Company, Inc. bank term loan FRN Ser. B, 4.14s, 2008 (acquired 2/21/03, cost \$198,000) (RES)	201,450
	535,000	Crown Holdings SA 144A sec. notes 10 7/8s, 2013 (France)	589,838
	1,760,000	Crown Holdings SA 144A sec. notes 9 1/2s, 2011 (France)	1,892,000
	1,000,000	Decrane Aircraft Holdings Co. company guaranty Ser. B, 12s, 2008	450,000
	149,625	EaglePicher bank term loan FRN 4.64s, 2009 (acquired 8/6/03, cost \$150,500) (RES)	150,685
	715,000	Earle M. Jorgensen Co. sec. notes 9 3/4s, 2012	761,475
	930,000	FIMEP SA sr. notes 10 1/2s, 2013 (France)	1,050,900
EUR	360,000	Flender Holdings 144A notes 11s, 2010	452,680
	\$92,942	Flowserve Corp. bank term loan FRN Ser. C, 3.911s, 2009 (acquired 4/30/02, cost \$92,942) (RES)	93,482
	555,000	Flowserve Corp. company guaranty 12 1/4s, 2010	635,475
EUR	95,000	Flowserve Finance BV company guaranty 12 1/4s, 2010 (Netherlands)	124,158
	\$95,000	Fonda Group, Inc. sr. sub. notes Ser. B, 9 1/2s, 2007	76,950
	199,649	Graham Packaging bank term loan FRN 5.1055s, 2010 (acquired 2/18/03, cost \$198,651) (RES)	200,448
	665,000	Hexcel Corp. sr. sub. notes 9 3/4s, 2009	694,925
	460,000	Insilco Holding Co. sr. disc. notes zero %, 2008 (In default) (NON)	2,300
EUR	275,000	Invensys, PLC sr. unsub. notes 5 1/2s, 2005 (United Kingdom)	310,577
	\$420,000	Jordan Industries, Inc. sr. notes Ser. D, 10 3/8s, 2007	189,000
	375,000	K&F Industries, Inc. sr. sub. notes Ser. B, 9 5/8s, 2010	412,500
	239,000	K&F Industries, Inc. sr. sub. notes Ser. B, 9 1/4s, 2007	246,368
	330,000	L-3 Communications Corp. company guaranty Ser. B, 8s, 2008	342,375
	140,000	L-3 Communications Corp. 144A Structured Notes 8 1/2s, 2006 (Issued by Credit and Repackaged Securities, Ltd.) (Cayman Islands)	157,046
	176,400	Laidlaw International, Inc. bank term loan FRN 7s, 2009 (acquired 6/18/03, cost \$172,872) (RES)	177,282
	740,000	Laidlaw International, Inc. 144A sr. notes 10 3/4s, 2011	793,650
	305,000	Manitowoc Co., Inc. (The) company	

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	guaranty 10 1/2s, 2012	342,363
EUR	190,000 Manitowoc Co., Inc. (The) company guaranty 10 3/8s, 2011	237,919
	\$394,876 Michigan Electric Transmission Co./Michigan Electric Transmission, Inc. bank term loan FRN Ser. B, 3.6s, 2007 (acquired various dates from 4/22/02 to 5/3/02, cost \$554,101) (RES)	396,192
	925,000 Motors and Gears, Inc. sr. notes Ser. D, 10 3/4s, 2006	721,500
	880,000 Owens-Brockway Glass company guaranty 8 7/8s, 2009	937,200
	560,000 Owens-Brockway Glass company guaranty 8 1/4s, 2013	571,200
	520,000 Owens-Brockway Glass company guaranty 7 3/4s, 2011	538,200
	685,000 Owens-Brockway Glass sr. sec. notes 8 3/4s, 2012	734,663
	95,000 Pliant Corp. company guaranty 13s, 2010	88,350
	515,000 Pliant Corp. 144A sec. notes 11 1/8s, 2009	553,625
	585,000 Roller Bearing Company of America company guaranty Ser. B, 9 5/8s, 2007	538,200
	1,140,000 Sequa Corp. sr. notes 9s, 2009	1,242,600
	240,000 Sequa Corp. sr. notes Ser. B, 8 7/8s, 2008	259,200
	430,000 Siebe PLC 144A notes 7 1/8s, 2007 (United Kingdom)	422,475
	205,000 Siebe PLC 144A sr. unsub. 6 1/2s, 2010 (United Kingdom)	188,088
	535,000 Sweetheart Cup Co. company guaranty 12s, 2004	522,963
	430,000 TD Funding Corp. 144A sr. sub. notes 8 3/8s, 2011	462,250
	1,245,000 Tekni-Plex, Inc. company guaranty Ser. B, 12 3/4s, 2010	1,220,100
	75,000 Terex Corp. company guaranty 8 7/8s, 2008	78,188
	730,000 Terex Corp. company guaranty Ser. B, 10 3/8s, 2011	819,425
	130,000 Terex Corp. company guaranty Ser. D, 8 7/8s, 2008	136,175
	296,256 Titan Corp. (The) bank term loan FRN Ser. B, 4.4346s, 2009 (acquired various dates from 5/14/02 to 6/3/02, cost \$297,385) (RES)	296,564
	370,000 Titan Corp. (The) 144A sr. sub. notes 8s, 2011	432,900
	50,000 Transdigm, Inc. bank term loan FRN 4.13s, 2010 (acquired 7/21/03, cost \$50,000) (RES)	50,458
	660,000 Trimas Corp. company guaranty 9 7/8s, 2012	669,900
	365,000 Vought Aircraft Industries Inc. 144A sr. notes 8s, 2011	372,300
		-----
		34,827,341

Commercial and Consumer Services (0.3%)

143,242	Coinmach Corp. bank term loan FRN Ser. B, 4.0327s, 2009 (acquired
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	1/31/02, cost \$143,063) (RES)	143,749
1,190,000	Coinmach Corp. sr. notes 9s, 2010	1,267,350
49,875	Corrections Corporation of America bank term loan FRN 3.88s, 2008 (acquired 8/5/03, cost \$49,875) (RES)	50,187
441,621	Derby Cycle Corp. (The) sr. notes 10s, 2008 (In default) (NON)	24,289
DEM 1,265,879	Derby Cycle Corp. (The) sr. notes 9 3/8s, 2008 (In default) (NON)	41,447
\$645,000	IESI Corp. company guaranty 10 1/4s, 2012	699,825
90,000	Worldspan bank term loan FRN 4 7/8s, 2007 (acquired 6/30/03, cost \$89,100) (RES)	90,281
		-----
		2,317,128

Communication Services (4.9%)

1,440,000	ACC Escrow Corp. 144A sr. notes 10s, 2011	1,548,000
420,000	Airgate PCS, Inc. sr. sub. notes stepped-coupon zero % (13 1/2s, 10/1/04), 2009 (STP)	319,200
640,000	Alamosa Delaware, Inc. company guaranty 13 5/8s, 2011	627,200
280,000	Alamosa Delaware, Inc. company guaranty 12 1/2s, 2011	270,200
3,000	Alamosa PCS Holdings, Inc. company guaranty stepped-coupon zero % (12 7/8s, 2/15/05), 2010 (STP)	2,370
295,000	American Tower Corp. sr. notes 9 3/8s, 2009	300,900
550,000	Asia Global Crossing, Ltd. sr. notes 13 3/8s, 2010 (Bermuda) (In default) (NON)	82,500
1,870,000	Centennial Cellular Operating Co. 144A sr. notes 10 1/8s, 2013	1,926,100
1,015,000	Cincinnati Bell, Inc. 144A company guaranty 7 1/4s, 2013	1,004,850
756,908	Colo.com, Inc. 144A sr. notes 13 7/8s, 2010 (In default) (NON)	1,892
55,000	Colt Telecommunications Group PLC sr. disc. notes 12s, 2006 (United Kingdom)	55,138
GBP 220,000	Colt Telecommunications Group PLC sr. notes 10 1/8s, 2007 (United Kingdom)	361,831
EUR 110,000	Colt Telecommunications Group PLC sr. notes 7 5/8s, 2009 (United Kingdom)	115,906
\$580,000	Crown Castle International Corp. sr. disc. notes stepped-coupon zero % (10 3/8s, 5/15/04), 2011 (STP)	582,900
765,000	Crown Castle International Corp. sr. notes 9 3/8s, 2011	816,638
90,000	Crown Castle International Corp. sr. notes 9s, 2011	92,925
1,100,000	Dobson Communications Corp. 144A sr. notes 8 7/8s, 2013	1,105,500
940,000	Dobson/Sygnnet Communications, Inc. sr. notes 12 1/4s, 2008	1,008,150
265,000	Eircom Funding 144A sr. sub. notes 8 1/4s, 2013 (Ireland)	284,875
390,000	Fairpoint Communications, Inc. sr. sub. notes 12 1/2s, 2010	415,350
80,000	Firstworld Communication Corp. sr.	

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	disc. notes zero %, 2008 (In default) (NON)	8
328,078	Globix Corp. company guaranty 11s, 2008 (PIK)	249,339
160,000	Horizon PCS, Inc. company guaranty 13 3/4s, 2011 (In default) (NON)	36,800
60,000	Intermedia Communications, Inc. sr. notes Ser. B, 8.6s, 2008 (In default) (NON)	50,100
910,000	iPCS, Inc. sr. disc. notes stepped-coupon zero % (14s, 7/15/05), 2010 (In default) (NON) (STP)	100,100
506,000	IWO Holdings, Inc. company guaranty 14s, 2011	83,490
85,000	Level 3 Communications, Inc. sr. notes 9 1/8s, 2008	72,250
1,500,000	Level 3 Financing Inc. 144A sr. notes 10 3/4s, 2011	1,496,250
725,000	Madison River Capital Corp. sr. notes 13 1/4s, 2010	761,250
530,000	Metromedia Fiber Network, Inc. sr. notes 10s, 2009 (In default) (NON)	38,425
570,000	Metromedia Fiber Network, Inc. sr. notes Ser. B, 10s, 2008 (In default) (NON)	41,325
774,000	Millicom International Cellular SA 144A sr. notes 11s, 2006 (Luxembourg)	791,415
123,750	Nextel Communications, Inc. bank term loan FRN Ser. B, 4.5671s, 2008 (acquired 12/19/02, cost \$114,468) (RES)	124,169
123,750	Nextel Communications, Inc. bank term loan FRN Ser. C, 4.8171s, 2008 (acquired 12/19/02, cost \$114,468) (RES)	124,169
8,000	Nextel Communications, Inc. sr. disc. notes 9.95s, 2008	8,420
930,000	Nextel Communications, Inc. sr. notes 9 1/2s, 2011	1,027,650
1,000,000	Nextel Communications, Inc. sr. notes 9 3/8s, 2009	1,085,000
625,000	Nextel Communications, Inc. sr. notes 7 3/8s, 2015	631,250
385,000	Nextel Partners, Inc. sr. notes 12 1/2s, 2009	439,863
550,000	Nextel Partners, Inc. sr. notes 11s, 2010	600,875
1,315,000	Nextel Partners, Inc. 144A sr. notes 8 1/8s, 2011	1,282,125
620,000	Orbital Imaging Corp. sr. notes Ser. B, 11 5/8s, 2005 (In default) (NON)	303,800
318,500	PanAmSat Corp. bank term loan FRN Ser. B, 4.62s, 2009 (acquired 2/21/02, cost \$318,102) (RES)	319,637
830,000	PanAmSat Corp. company guaranty 8 1/2s, 2012	869,425
195,000	Qwest Communications International, Inc. bank term loan FRN 6 1/2s, 2007 (acquired 6/5/03, cost \$193,050) (RES)	198,803
2,055,000	Qwest Corp. 144A notes 8 7/8s, 2012	2,281,050
2,611,000	Qwest Services Corp. 144A notes 13 1/2s, 2010	3,041,815
50,000	Rogers Cantel, Ltd. debs. 9 3/8s, 2008 (Canada)	52,375

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770,000	Rogers Cantel, Ltd. sr. sub. notes 8.8s, 2007 (Canada)	789,250
280,000	Rogers Wireless, Inc. sec. notes 9 5/8s, 2011 (Canada)	321,650
270,000	Rural Cellular Corp. sr. sub. notes Ser. B, 9 5/8s, 2008	245,700
1,545,000	Telus Corp. notes 8s, 2011 (Canada)	1,803,643
198,500	Time Warner Telecom, Inc. bank term loan FRN Ser. B, 5.1s, 2009 (acquired 1/15/03, cost \$173,688) (RES)	197,756
510,000	TSI Telecommunication Services, Inc. company guaranty Ser. B, 12 3/4s, 2009	512,550
390,000	U S West, Inc. notes 5 5/8s, 2008	380,250
417,000	UbiquiTel Operating Co. bonds stepped-coupon zero % (14s, 4/15/05), 2010	283,560
1,210,000	US UnWired, Inc. company guaranty stepped-coupon Ser. B, zero % (13 3/8s, 11/1/04), 2009 (STP)	883,300
405,000	US West Capital Funding, Inc. company guaranty 6 1/4s, 2005	396,900
1,080,000	Western Wireless Corp. 144A sr. notes 9 1/4s, 2013	1,101,600
10,000	Williams Communications Group, Inc. notes zero %, 2010 (In default) (NON)	1
220,000	Williams Communications Group, Inc. notes zero %, 2008 (In default) (NON)	2
200,000	Williams Communications Group, Inc. notes zero %, 2007 (In default) (NON)	2
		-----
		33,949,767
Conglomerates (0.3%)		
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365,000	Tyco International Group SA company guaranty 6 3/4s, 2011 (Luxembourg)	385,075
55,000	Tyco International Group SA company guaranty 6 3/8s, 2006 (Luxembourg)	57,613
225,000	Tyco International Group SA company guaranty 6 3/8s, 2005 (Luxembourg)	234,000
1,670,000	Tyco International Group SA notes 6 3/8s, 2011 (Luxembourg)	1,722,188
		-----
		2,398,876
Consumer (0.5%)		
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1,055,000	Icon Health & Fitness company guaranty 11 1/4s, 2012	1,128,850
200,000	Jostens, Inc. bank term loan FRN Ser. B, 3.64s, 2010 (acquired 7/28/03, cost \$200,000) (RES)	201,325
510,000	Jostens, Inc. sr. sub. notes 12 3/4s, 2010	591,600
1,681,000	Samsonite Corp. sr. sub. notes 10 3/4s, 2008	1,756,645
		-----
		3,678,420
Consumer Staples (7.8%)		
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40,000	Adelphia Communications Corp. notes (NON)	27,600

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	215,000	Adelphia Communications Corp. sr. notes 10 7/8s, 2010 (In default) (NON)	150,500
	50,000	Adelphia Communications Corp. sr. notes 9 3/8s, 2009 (In default) (NON)	35,750
	341,000	Adelphia Communications Corp. sr. notes Ser. B, 9 7/8s, 2007 (In default) (NON)	237,848
	580,000	Adelphia Communications Corp. sr. notes Ser. B, 7 3/4s, 2009 (In default) (NON)	406,000
EUR	260,000	Ahold Finance USA eurobonds 6 3/8s, 2005	303,626
	\$660,000	AMC Entertainment, Inc. sr. sub. notes 9 7/8s, 2012	719,400
	700,000	AMC Entertainment, Inc. sr. sub. notes 9 1/2s, 2011	735,000
	450,000	AMC Entertainment, Inc. sr. sub. notes 9 1/2s, 2009	466,313
	445,065	American Seafood Group, LLC bank term loan FRN Ser. B, 4.36s, 2009 (acquired 4/11/02, cost \$444,620) (RES)	445,714
	196,349	AMF Bowling Worldwide bank term loan FRN Ser. B, 5.4521s, 2008 (acquired 3/1/02, cost \$195,858) (RES)	196,921
	342,227	Archibald Candy Corp. company guaranty 10s, 2007 (PIK)	130,046
	635,000	Armkel, LLC/Armkel Finance sr. sub. notes 9 1/2s, 2009	700,088
	140,000	Aurora Foods, Inc. sr. sub. notes Ser. B, 9 7/8s, 2007 (In default) (NON)	79,800
	415,000	Aurora Foods, Inc. 144A sr. sub. notes Ser. D, 9 7/8s, 2007 (In default) (NON)	236,550
	10,263	Australis Media, Ltd. sr. disc. notes 15 3/4s, 2003 (Australia) (In default) (DEF) (NON)	1
	565,000	Brand Services, Inc. company guaranty 12s, 2012	627,150
	655,000	Capital Records, Inc. 144A company guaranty 8 3/8s, 2009	668,100
	171,923	Carmike Cinemas, Inc. bank term loan FRN Ser. B, 7 3/4s, 2005 (acquired 10/4/02, cost \$167,625) (RES)	172,782
	900,000	Century Cable Holdings bank term loan FRN 6s, 2009 6/5/02 and 6/11/02, cost \$749,082) (RES)	775,286
	158,791	Charter Communications Holdings, LLC bank term loan FRN Ser. B, 3.86s, 2008 (acquired 1/9/03, cost \$137,950) (RES)	150,216
	100,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (12 1/8s, 1/15/07), 2012 (STP)	51,500
	525,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (11 3/4s, 5/15/06), 2011 (STP)	288,750
	415,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (11 3/4s, 1/15/05), 2010 (STP)	280,125

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1,595,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 11 1/8s, 2011	1,303,913
860,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 3/4s, 2009	703,050
420,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 1/4s, 2010	327,600
1,560,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10s, 2011	1,177,800
745,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 9 5/8s, 2009	575,513
375,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 8 5/8s, 2009	286,875
30,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 8 1/4s, 2007	25,500
650,000	Cinemark USA, Inc. sr. sub. notes 9s, 2013	693,875
1,600,000	Cinemark USA, Inc. sr. sub. notes Ser. B, 8 1/2s, 2008	1,660,000
150,000	Constellation Brands, Inc. company guaranty 8 1/2s, 2009	158,250
305,000	Constellation Brands, Inc. company guaranty Ser. B, 8s, 2008	330,925
425,000	Constellation Brands, Inc. sr. sub. notes Ser. B, 8 1/8s, 2012	456,875
156,758	Constellation Energy Group, Inc. bank term loan FRN Ser. B, 3 7/8s, 2008 (acquired 3/20/03, cost \$156,758) (RES)	157,972
570,000	Cott Beverages USA, Inc. company guaranty 8s, 2011	612,750
150,000	CSC Holdings, Inc. sr. notes 7 7/8s, 2007	153,375
170,000	Dean Foods Co. sr. notes 6 5/8s, 2009	177,650
210,000	Del Monte Corp. company guaranty Ser. B, 9 1/4s, 2011	231,000
560,000	Del Monte Corp. 144A sr. sub. notes 8 5/8s, 2012	611,800
230,878	Del Monte Foods Co. bank term loan FRN Ser. B, 4.8581s, 2010 (acquired 12/16/02, cost \$229,724) (RES)	233,379
180,000	DirecTV bank term loan FRN Ser. B, 4.0039s, 2010 (acquired 3/4/03 and 8/5/03, cost \$180,000) (RES)	180,698
2,742,000	Diva Systems Corp. sr. disc. notes Ser. B, 12 5/8s, 2008 (In default) (NON)	219,360
1,370,000	Doane Pet Care Co. sr. sub. debs. 9 3/4s, 2007	1,301,500
27,391	Dole Food Co. bank term loan FRN Ser. B, 5.0875s, 2008 (acquired 3/28/03, cost \$27,391) (RES)	27,563
260,000	Dole Food Co. sr. notes 8 7/8s, 2011	276,900
200,000	Dole Food Co. sr. notes 7 1/4s, 2009	213,000
665,000	Domino's, Inc. 144A sr. sub. notes 8 1/4s, 2011	702,406
380,000	Eagle Family Foods company guaranty Ser. B, 8 3/4s, 2008	250,800
1,015,000	Echostar DBS Corp. sr. notes 10 3/8s, 2007	1,127,919
1,509,000	Echostar DBS Corp. sr. notes 9 1/8s, 2009	1,707,056
1,660,000	Echostar DBS Corp. 144A sr. notes	

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	6 3/8s, 2011	1,651,700
125,000	Echostar DBS Corp. 144A sr. notes FRN 4.41s, 2008	127,813
95,000	Elizabeth Arden, Inc. sec. notes Ser. B, 11 3/4s, 2011	108,300
198,000	Emmis Communications Corp. bank term loan FRN Ser. C, 3 3/8s, 2009 (acquired 6/20/02, cost \$197,753) (RES)	198,935
235,000	Emmis Communications Corp. company guaranty Ser. B, 8 1/8s, 2009	244,988
61,000	Emmis Communications Corp. sr. disc. notes stepped-coupon zero % (12 1/2s, 3/15/06), 2011 (STP)	54,290
625,000	Fleming Cos., Inc. company guaranty 10 1/8s, 2008 (In default) (NON)	103,125
515,000	Fleming Cos., Inc. sr. notes 9 1/4s, 2010 (In default) (NON)	73,388
124,000	French Fragrances, Inc. company guaranty Ser. D, 10 3/8s, 2007	128,960
265,000	French Fragrances, Inc. sr. notes Ser. B, 10 3/8s, 2007	276,263
45,000	Granite Broadcasting Corp. sr. sub. notes 10 3/8s, 2005	44,325
610,000	Granite Broadcasting Corp. sr. sub. notes 9 3/8s, 2005	592,463
820,000	Granite Broadcasting Corp. sr. sub. notes 8 7/8s, 2008	788,225
415,000	Gray Television, Inc. company guaranty 9 1/4s, 2011	457,538
70,000	Insight Midwest LP/Insight Capital, Inc. bank term loan FRN 3.9375s, 2009 (acquired 1/9/01, cost \$69,895) (RES)	70,011
37,590	Knology, Inc. 144A sr. notes 12s, 2009 (PIK)	35,898
585,000	Land O'Lakes, Inc. sr. notes 8 3/4s, 2011	485,550
250,000	LIN Television Corp. company guaranty 8s, 2008	268,750
300,000	MGM Studios bank term loan FRN Ser. B, 4.1s, 2008 (acquired 6/10/02, cost \$300,000) (RES)	300,656
910,000	News America Holdings, Inc. company guaranty 9 1/4s, 2013	1,190,564
61,486	Nexstar Broadcasting bank term loan FRN Ser. B, 4.12s, 2011 (acquired 2/5/03, cost \$61,486) (RES)	61,717
26,014	Nexstar Mission Broadcasting bank term loan FRN 4.12s, 2011 (acquired 2/5/03, cost \$26,014) (RES)	26,112
1,115,000	North Atlantic Trading Co. company guaranty Ser. B, 11s, 2004	1,064,825
500,000	Olympus Cable bank term loan FRN Ser. B, 6s, 2010 (acquired 6/20/02, cost \$435,750) (RES)	444,659
220,000	ONO Finance PLC sr. notes 14s, 2011 (United Kingdom)	201,025
100,000	ONO Finance PLC sr. notes 13s, 2009 (United Kingdom)	90,125
15,000	Pegasus Communications Corp. sr. notes 12 1/2s, 2007	12,000
60,000	Pegasus Communications Corp. sr.	



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	notes Ser. B, 9 3/4s, 2006	47,400
400,000	Pegasus Satellite sr. notes 12 3/8s, 2006	320,000
197,000	Playtex Products, Inc. bank term loan FRN Ser. C, 4.6164s, 2009 (acquired 6/3/02, cost \$197,000) (RES)	196,508
1,595,000	Playtex Products, Inc. company guaranty 9 3/8s, 2011	1,531,200
480,000	Polaroid Corp. sr. notes 11 1/2s, 2006 (In default) (NON)	97,200
650,000	Premier International Foods PLC sr. notes 12s, 2009 (United Kingdom)	711,750
1,000,000	Premier Parks, Inc. sr. notes 10s, 2007	982,500
1,050,000	Premium Standard Farms, Inc. sr. notes 9 1/4s, 2011	1,050,000
1,896,149	Quorum Broadcast Holdings, LLC notes stepped-coupon zero % (15s, 5/15/06), 2009 (STP)	1,403,719
133,500	Rayovac Corp. bank term loan FRN Ser. B, 4.8748s, 2009 (acquired 9/26/02, cost \$133,367) (RES)	133,778
352,000	RCN Corp. sr. disc. notes Ser. B, zero %, 2008	160,160
400,000	Regal Cinemas, Inc. company guaranty Ser. B, 9 3/8s, 2012	450,000
700,000	Remington Arms Co., Inc. company guaranty 10 1/2s, 2011	717,500
465,000	Revlon Consumer Products sr. notes 9s, 2006	325,500
360,000	Revlon Consumer Products sr. notes 8 1/8s, 2006	248,400
GBP 100,000	RHM Finance, Ltd. bonds stepped-coupon Ser. B1, 11 1/2s (17 1/4s, 2/28/11), 2011 (Cayman Islands) (STP)	141,211
\$120,000	Rite Aid Corp. bank term loan FRN 4.12s, 2008 (acquired 5/16/03, cost \$119,850) (RES)	121,400
560,000	Rite Aid Corp. company guaranty 9 1/2s, 2011	632,800
115,000	Rite Aid Corp. 144A notes 6s, 2005	115,575
675,000	Rite Aid Corp. 144A sr. notes 9 1/4s, 2013	715,500
380,000	Rite Aid Corp. 144A sr. sec. notes 8 1/8s, 2010	404,700
550,000	Rogers Cablesystems, Ltd. sr. notes Ser. B, 10s, 2005 (Canada)	589,875
246,256	Roundy's, Inc. bank term loan FRN 3.6362s, 2009 (acquired 6/3/02, cost \$246,256) (RES)	246,872
820,000	Sbarro, Inc. company guaranty 11s, 2009	709,300
470,000	Scotts Co. (The) company guaranty 8 5/8s, 2009	495,850
282,113	Shoppers Drug Mart bank term loan FRN Ser. F, 3.163s, 2009 (acquired various dates from 5/22/02 to 5/29/02, cost \$283,363) (RES)	282,340
340,000	Sinclair Broadcast Group, Inc. company guaranty 8 3/4s, 2011	369,750
375,000	Sinclair Broadcast Group, Inc. company guaranty 8s, 2012	395,625
93,750	Six Flags, Inc. bank term loan FRN Ser. B, 3.37s, 2009 (acquired	

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	1/15/03, cost \$93,633) (RES)	93,382
1,600,000	Six Flags, Inc. sr. notes 8 7/8s, 2010	1,472,000
1,270,000	TeleWest Communications PLC debs. 11s, 2007 (United Kingdom) (In default) (NON)	619,125
260,000	TeleWest Communications PLC debs. 9 5/8s, 2006 (United Kingdom) (In default) (NON)	122,200
200,000	TeleWest Communications PLC sr. notes Ser. S, 9 7/8s, 2010 (United Kingdom) (In default) (NON)	91,000
80,000	TeleWest Communications PLC 144A sr. notes 11 1/4s, 2008 (United Kingdom) (In default) (NON)	38,400
60,000	TM Group Holdings sr. notes 11s, 2008 (United Kingdom)	63,300
290,000	United Rentals (North America), Inc. company guaranty Ser. B, 10 3/4s, 2008	321,900
120,000	Vivendi Universal SA bank term loan FRN Ser. B, 3.8677s, 2008 (acquired 6/23/03, cost \$120,000) (France) (RES)	120,600
770,000	Vivendi Universal SA 144A notes 6 1/4s, 2008 (France)	793,100
455,000	Vivendi Universal SA 144A sr. notes 9 1/4s, 2010 (France)	522,681
680,000	Williams Scotsman, Inc. company guaranty 9 7/8s, 2007	669,800
1,421,000	Young Broadcasting, Inc. company guaranty 10s, 2011	1,506,260
82,000	Young Broadcasting, Inc. company guaranty Ser. B, 8 3/4s, 2007	83,230
60,000	Yum! Brands, Inc. sr. notes 8 7/8s, 2011	69,900
265,000	Yum! Brands, Inc. sr. notes 8 1/2s, 2006	294,150
1,060,000	Yum! Brands, Inc. sr. notes 7.65s, 2008	1,171,300
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		54,521,316

Energy (4.6%)

710,000	Arch Western Finance, LLC 144A sr. notes 6 3/4s, 2013	731,300
690,000	Belden & Blake Corp. company guaranty Ser. B, 9 7/8s, 2007	652,050
640,000	BRL Universal Equipment sec. notes 8 7/8s, 2008	681,600
340,000	Chesapeake Energy Corp. company guaranty 9s, 2012	382,500
215,000	Chesapeake Energy Corp. company guaranty 8 3/8s, 2008	233,275
115,000	Chesapeake Energy Corp. company guaranty 8 1/8s, 2011	124,775
155,000	Chesapeake Energy Corp. sr. notes Ser. B, 8 1/2s, 2012	164,300
1,135,000	Chesapeake Energy Corp. 144A sr. notes 7 1/2s, 2013	1,191,750
875,000	Comstock Resources, Inc. company guaranty 11 1/4s, 2007	949,375
695,000	Dresser, Inc. company guaranty 9 3/8s, 2011	728,013
215,000	El Paso Energy Partners LP company guaranty Ser. B, 8 1/2s, 2011	231,663
545,000	Encore Acquisition Co. company	

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	guaranty 8 3/8s, 2012	572,250
200,000	Forest Oil Corp. company guaranty 7 3/4s, 2014	206,500
300,000	Forest Oil Corp. sr. notes 8s, 2011	318,000
335,000	Forest Oil Corp. sr. notes 8s, 2008	355,100
430,000	Hornbeck Offshore Services, Inc. sr. notes 10 5/8s, 2008	471,925
295,000	Key Energy Services, Inc. sr. notes 6 3/8s, 2013	294,263
80,000	Leviathan Gas Corp. company guaranty Ser. B, 10 3/8s, 2009	86,800
700,000	Newfield Exploration Co. sr. notes 7 5/8s, 2011	745,500
2,950,000	OAQ Gazprom 144A notes 9 5/8s, 2013 (Russia)	3,156,500
500,000	OAQ Gazprom notes Ser. REGS, 9 5/8s, 2013 (Russia)	535,000
470,000	Offshore Logistics, Inc. company guaranty 6 1/8s, 2013	448,850
540,000	Parker Drilling Co. company guaranty Ser. B, 10 1/8s, 2009	550,800
89,550	Peabody Energy Corp. bank term loan FRN Ser. B, 3.6356s, 2010 (acquired 3/20/03, cost \$89,550) (RES)	90,166
2,750,000	Petronas Capital, Ltd. company guaranty 7s, 2012 (Malaysia)	3,117,950
2,170,000	Petronas Capital, Ltd. 144A company guaranty 7s, 2012 (Malaysia)	2,460,346
2,260,000	Pioneer Natural Resources Co. company guaranty 9 5/8s, 2010	2,813,700
115,000	Pioneer Natural Resources Co. company guaranty 6 1/2s, 2008	124,488
380,000	Plains All American Pipeline LP/Plains All American Finance Corp. company guaranty 7 3/4s, 2012	412,300
485,000	Plains Exploration & Production Co. 144A sr. sub. notes 8 3/4s, 2012	518,950
670,000	Pogo Producing Co. sr. sub. notes Ser. B, 8 1/4s, 2011	728,625
425,000	Pride Petroleum Services, Inc. sr. notes 9 3/8s, 2007	437,750
600,000	Seabulk International, Inc. 144A sr. notes 9 1/2s, 2013	602,250
270,000	Seven Seas Petroleum, Inc. sr. notes Ser. B, 12 1/2s, 2005 (In default) (NON)	29,700
745,000	Star Gas Partners LP/Star Gas Finance Co. sr. notes 10 1/4s, 2013	793,425
364,615	Star Gas Propane 1st Mtge. 8.04s, 2009	359,146
710,000	Stone Energy Corp. sr. sub. notes 8 1/4s, 2011	752,600
330,000	Swift Energy Co. sr. sub. notes 10 1/4s, 2009	349,800
470,000	Swift Energy Co. sr. sub. notes 9 3/8s, 2012	505,250
360,000	Tesoro Petroleum Corp. sec. notes 8s, 2008	369,000
740,000	Trico Marine Services, Inc. company guaranty 8 7/8s, 2012	540,200
150,000	Universal Compression, Inc. sr. notes 7 1/4s, 2010	154,500
670,000	Vintage Petroleum, Inc. sr. notes 8 1/4s, 2012	720,250
405,000	Vintage Petroleum, Inc. sr. sub.	

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	notes 9 3/4s, 2009	431,325
145,000	Vintage Petroleum, Inc. sr. sub. notes 7 7/8s, 2011	149,350
120,000	Weg Acquisition bank term loan FRN 5.61s, 2008 (acquired 6/13/03, cost \$118,800) (RES)	120,900
925,000	Westport Resources Corp. company guaranty 8 1/4s, 2011	1,010,563
280,000	Westport Resources Corp. 144A company guaranty 8 1/4s, 2011	305,900
500,000	XCL, Ltd. 144A company guaranty 13 1/2s, 2004 (In default) (NON)	150,000
390,000	XTO Energy, Inc. sr. notes 7 1/2s, 2012	431,925
230,000	XTO Energy, Inc. sr. notes 6 1/4s, 2013	238,050
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		32,530,498

Financial (1.4%)

	460,000 Chevy Chase Savings Bank, Inc. sub. debs. 9 1/4s, 2005	462,300
	790,000 Consecoco, Inc. 144A notes zero %, 2009 (In default) (NON)	1
	120,000 Crescent Real Estate Equities LP notes 7 1/2s, 2007 (R)	122,400
	765,000 Crescent Real Estate Equities LP sr. notes 9 1/4s, 2009 (R)	822,375
	2,192,000 Finova Group, Inc. notes 7 1/2s, 2009	1,085,040
	219,612 Hilb, Rogal & Hamilton Co. bank term loan FRN Ser. B, 3 7/8s, 2007 (acquired 6/20/02, cost \$219,612) (RES)	221,534
	177,975 Infinity Inc. bank term loan FRN 3.61s, 2010 (acquired 7/2/03, cost \$177,975) (RES)	179,013
	840,000 iStar Financial, Inc. sr. notes 8 3/4s, 2008 (R)	938,700
	125,000 iStar Financial, Inc. sr. notes 7s, 2008 (R)	133,750
	1,831,500 JP Morgan HY disc. notes 8s, 2008	1,858,973
	258,000 Nationwide Credit, Inc. sr. notes Ser. A, 10 1/4s, 2008 (In default) (NON)	3
	112,000 Ocwen Financial Corp. notes 11 7/8s, 2003	112,000
	770,000 Resource America, Inc. 144A sr. notes 12s, 2004	777,700
	2,065,000 Sovereign Bancorp, Inc. sr. notes 10 1/2s, 2006	2,458,079
	540,000 Western Financial Bank sub. debs. 9 5/8s, 2012	584,550
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		9,756,418

Gaming & Lottery (2.9%)

	500,000 Ameristar Casinos, Inc. company guaranty 10 3/4s, 2009	568,750
	590,000 Argosy Gaming Co. company guaranty 10 3/4s, 2009	646,050
	160,000 Argosy Gaming Co. sr. sub. notes 9s, 2011	174,000
	165,000 Borgata Resorts bank term loan FRN Ser. B, 5.1793s, 2007 (acquired 6/5/02, cost \$164,588) (RES)	165,928

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750,000	Boyd Gaming Corp. sr. sub. notes 8 3/4s, 2012	811,875
370,000	Chumash Casino & Resort Enterprise 144A sr. notes 9 1/4s, 2010	397,750
900,000	Herbst Gaming, Inc. sec. notes Ser. B, 10 3/4s, 2008	999,000
630,000	Hollywood Park, Inc. company guaranty Ser. B, 9 1/4s, 2007	643,388
940,000	Horseshoe Gaming Holdings company guaranty 8 5/8s, 2009	1,003,450
540,000	Majestic Investor Holdings/Capital Corp. company guaranty 11.653s, 2007	588,600
430,000	Mandalay Resort Group 144A sr. notes 6 1/2s, 2009	437,525
1,970,000	MGM Mirage, Inc. company guaranty 8 1/2s, 2010	2,216,250
490,000	Mirage Resorts, Inc. notes 6 3/4s, 2008	515,725
105,000	Mohegan Tribal Gaming Authority sr. notes 8 1/8s, 2006	113,269
200,000	Mohegan Tribal Gaming Authority sr. sub. notes 8 3/8s, 2011	218,000
1,420,000	Mohegan Tribal Gaming Authority 144A sr. sub. notes 6 3/8s, 2009	1,432,425
1,020,000	Park Place Entertainment Corp. sr. notes 7 1/2s, 2009	1,091,400
380,000	Park Place Entertainment Corp. sr. notes 7s, 2013	392,825
395,000	Park Place Entertainment Corp. sr. sub. notes 8 7/8s, 2008	437,463
115,000	Park Place Entertainment Corp. sr. sub. notes 8 1/8s, 2011	123,913
199,000	Penn National Gaming, Inc. bank term loan FRN Ser. B, 5.0563s, 2010 (acquired 2/19/03, cost \$198,751) (RES)	199,995
455,000	Penn National Gaming, Inc. company guaranty Ser. B, 11 1/8s, 2008	509,600
955,000	Penn National Gaming, Inc. sr. sub. notes 8 7/8s, 2010	1,027,819
119,700	Pinnacle Entertainment, Inc. bank term loan FRN Ser. B, 5.7406s, 2008 (acquired 4/3/03, cost \$118,204) (RES)	120,299
370,000	Pinnacle Entertainment, Inc. sr. sub. notes 8 3/4s, 2013	366,300
220,000	Pinnacle Entertainment, Inc. sr. sub. notes Ser. B, 9 1/2s, 2007	225,225
395,000	Resorts International Hotel and Casino, Inc. company guaranty 11 1/2s, 2009	391,544
565,000	Riviera Holdings Corp. company guaranty 11s, 2010	560,056
248,125	Scientific Gaming bank term loan FRN Ser. B, 4.61s, 2008 (acquired 12/11/02, cost \$246,884) (RES)	248,559
750,000	Station Casinos, Inc. sr. notes 8 3/8s, 2008	806,250
410,000	Trump Atlantic City Associates company guaranty 11 1/4s, 2006	314,675
1,535,000	Trump Casino Holdings, LLC company guaranty 11 5/8s, 2010	1,371,906
945,000	Venetian Casino Resort, LLC company guaranty 11s, 2010	1,077,300

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20,197,114

Health Care (3.7%)

54,952	ALARIS Medical Systems, Inc. bank term loan FRN 3.8694s, 2009 (acquired 6/30/03, cost \$54,952) (RES)	55,447
515,000	ALARIS Medical Systems, Inc. sr. sub. notes 7 1/4s, 2011	517,575
100,000	Alderwoods Group, Inc. bank term loan FRN 4.387s, 2008 (acquired 9/9/03, cost \$100,000) (RES)	101,000
1,385,700	Alderwoods Group, Inc. company guaranty 12 1/4s, 2009	1,534,663
697,000	Alliance Imaging, Inc. sr. sub. notes 10 3/8s, 2011	724,880
435,000	AmerisourceBergen Corp. company guaranty 7 1/4s, 2012	442,613
560,000	AmerisourceBergen Corp. sr. notes 8 1/8s, 2008	602,000
990,000	Ardent Health Services 144A sr. sub. notes 10s, 2013	1,049,400
870,000	Biovail Corp. sr. sub. notes 7 7/8s, 2010 (Canada)	896,100
297,000	Community Health Systems, Inc. bank term loan FRN Ser. B, 3.6399s, 2010 (acquired 7/11/02, cost \$297,000) (RES)	297,603
199,500	Concentra bank term loan FRN 4.9203s, 2009 (acquired 8/12/03, cost \$199,500) (RES)	200,373
185,000	Dade Behring, Inc. company guaranty 11.91s, 2010	210,438
200,000	DaVita, Inc. bank term loan FRN Ser. C, 3.6193s, 2009 (acquired 7/17/03, cost \$200,000) (RES)	200,775
500,000	Extendicare Health Services, Inc. company guaranty 9 1/2s, 2010	542,500
183,630	Fisher Scientific International, Inc. bank term loan FRN Ser. B, 3.6s, 2010 (acquired 2/13/03, cost \$183,630) (RES)	185,053
37,341	Genesis Health Ventures, Inc. sec. notes FRN 6.114s, 2007	36,968
100,000	Hanger Orthopedic Group, Inc. bank term loan FRN 3.87s, 2009 (acquired 9/29/03, cost \$100,000) (RES)	100,375
605,000	Hanger Orthopedic Group, Inc. company guaranty 10 3/8s, 2009	676,088
145,000	Hanger Orthopedic Group, Inc. sr. sub. notes 11 1/4s, 2009	161,313
1,500,000	HCA, Inc. med. term notes 8.85s, 2007	1,697,091
1,240,000	HCA, Inc. notes 7s, 2007	1,350,687
1,095,000	Healthsouth Corp. notes 7 5/8s, 2012	941,700
510,000	Healthsouth Corp. sr. notes 8 1/2s, 2008	448,800
245,000	Healthsouth Corp. sr. notes 8 3/8s, 2011	211,925
205,000	Healthsouth Corp. sr. notes 7s, 2008	176,300
400,000	IASIS Healthcare Corp. company guaranty 13s, 2009	449,000
75,000	IASIS Healthcare Corp. company guaranty 8 1/2s, 2009	77,625

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	1,000,000	Integrated Health Services, Inc. sr. sub. notes Ser. A, 9 1/2s, 2007 (In default) (NON)	21,250
	380,000	Integrated Health Services, Inc. sr. sub. notes Ser. A, 9 1/4s, 2008 (In default) (NON)	8,550
	149,625	Kinetic Concepts, Inc. bank term loan FRN 3.87s, 2011 (acquired 8/5/03, cost \$149,969) (RES)	150,420
	1,440,000	Magellan Health Svcs., Inc. sr. sub. notes 9s, 2008 (In default) (NON)	799,200
	270,000	Magellan Health Svcs., Inc. 144A sr. notes 9 3/8s, 2007 (In default) (NON)	279,450
	149,625	Medex, Inc. bank term loan FRN 4.86s, 2009 (acquired various dates from 5/16/03 to 6/16/03, cost \$149,551) (RES)	150,248
	560,000	Mediq, Inc. debs. zero %, 2009 (In default) (NON)	56
	925,000	MedQuest, Inc. company guaranty Ser. B, 11 7/8s, 2012	980,500
	1,590,000	Multicare Companies, Inc. sr. sub. notes 9s, 2007 (In default) (NON)	23,850
EUR	50,000	NYCO Holdings 144A 11 1/2s, 2013	61,562
	\$740,000	Omnicare, Inc. sr. sub. notes 6 1/8s, 2013	723,350
	1,135,000	PacifiCare Health Systems, Inc. company guaranty 10 3/4s, 2009	1,308,088
	670,000	Province Healthcare Co. sr. sub. notes 7 1/2s, 2013	666,650
	75,000	Service Corp. International notes 7.2s, 2006	75,000
	25,000	Service Corp. International notes 6 7/8s, 2007	24,875
	110,000	Service Corp. International notes 6 1/2s, 2008	108,900
	1,580,000	Service Corp. International notes 6s, 2005	1,587,900
	270,000	Service Corp. International notes Ser. (a), 7.7s, 2009	276,075
	720,000	Stewart Enterprises, Inc. notes 10 3/4s, 2008	802,800
	115,000	Tenet Healthcare Corp. sr. notes 6 3/8s, 2011	110,113
	560,000	Tenet Healthcare Corp. sr. notes 5 3/8s, 2006	548,800
	1,995,000	Triad Hospitals Holdings company guaranty Ser. B, 11s, 2009	2,194,500
	632,042	Triad Hospitals, Inc. bank term loan FRN Ser. B, 4.11s, 2008 (acquired 4/24/01, cost \$631,410) (RES)	634,915
	35,000	Triad Hospitals, Inc. company guaranty Ser. B, 8 3/4s, 2009	38,063
	305,000	Ventas Realty LP/Capital Corp. company guaranty 9s, 2012	338,550
			-----
			25,801,957
Homebuilding (1.0%)			
	430,000	Beazer Homes USA, Inc. company guaranty 8 5/8s, 2011	463,325
	630,000	D.R. Horton, Inc. sr. notes 7 7/8s, 2011	683,550

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190,000	D.R. Horton, Inc. sr. notes 6 7/8s, 2013	190,475
630,000	D.R. Horton, Inc. sr. notes 5 7/8s, 2013	582,750
450,000	K. Hovnanian Enterprises, Inc. company guaranty 10 1/2s, 2007	519,750
575,000	K. Hovnanian Enterprises, Inc. company guaranty 8 7/8s, 2012	615,250
130,000	K. Hovnanian Enterprises, Inc. company guaranty 8s, 2012	139,100
210,000	K. Hovnanian Enterprises, Inc. 144A sr. sub. notes 7 3/4s, 2013	216,300
365,000	KB Home sr. sub. notes 9 1/2s, 2011	400,131
295,000	Meritage Corp. 144A sr. notes 9 3/4s, 2011	322,288
615,000	Ryland Group, Inc. sr. notes 9 3/4s, 2010	699,563
140,000	Ryland Group, Inc. sr. notes 5 3/8s, 2008	140,875
385,000	Schuler Homes, Inc. company guaranty 10 1/2s, 2011	436,494
190,000	Technical Olympic USA, Inc. company guaranty 10 3/8s, 2012	204,250
135,000	Technical Olympic USA, Inc. company guaranty 9s, 2010	142,425
250,000	Toll Corp. sr. sub. notes 8 1/4s, 2011	273,125
160,000	WCI Communities, Inc. company guaranty 10 5/8s, 2011	175,200
530,000	WCI Communities, Inc. company guaranty 9 1/8s, 2012	567,100
		-----
		6,771,951

Household Furniture and Appliances (0.2%)

701,000	Sealy Mattress Co. company guaranty Ser. B, zero %, 2007	716,773
890,000	Sealy Mattress Co. sr. sub. notes Ser. B, 9 7/8s, 2007	903,350
		-----
		1,620,123

Lodging/Tourism (1.4%)

695,000	FelCor Lodging LP company guaranty 9 1/2s, 2008 (R)	747,125
850,000	Hilton Hotels Corp. notes 7 5/8s, 2012	935,000
4,260,000	HMH Properties, Inc. company guaranty Ser. B, 7 7/8s, 2008 (R)	4,377,150
250,000	HMH Properties, Inc. sr. notes Ser. C, 8.45s, 2008	260,313
279,000	Host Marriott LP sr. notes Ser. E, 8 3/8s, 2006 (R)	291,904
585,000	ITT Corp. notes 6 3/4s, 2005	616,444
1,510,000	John Q. Hammons Hotels LP/John Q. Hammons Hotels Finance Corp. III 1st mtge. Ser. B, 8 7/8s, 2012	1,630,800
670,000	RFS Partnership LP company guaranty 9 3/4s, 2012	687,588
100,000	Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 7/8s, 2012	109,500
390,000	Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 3/8s, 2007	418,275
		-----
		10,074,099



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Publishing (2.2%)

42,643	Affinity Group Holdings bank term loan FRN Ser. B1, 4.85s, 2009 (acquired 5/27/03, cost \$42,536) (RES)	42,656
106,607	Affinity Group Holdings bank term loan FRN Ser. B2, 5.1479s, 2009 (acquired 5/27/03, cost \$106,341) (RES)	106,641
1,203,000	Affinity Group Holdings sr. notes 11s, 2007	1,233,075
200,000	Dex Media West, LLC bank term loan FRN 3.87s, 2010 (acquired 9/9/03, cost \$200,000) (RES)	201,750
1,115,000	Dex Media West, LLC 144A sr. notes 8 1/2s, 2010	1,206,988
670,000	Garden State Newspapers, Inc. sr. sub. notes 8 5/8s, 2011	703,500
50,000	Garden State Newspapers, Inc. sr. sub. notes Ser. B, 8 3/4s, 2009	51,375
450,000	Hollinger International Publishing, Inc. sr. notes 9s, 2010	474,188
1,512,785	Hollinger Participation Trust 144A sr. notes 12 1/8s, 2010 (Canada) (PIK)	1,701,883
530,000	Key3media Group, Inc. company guaranty 11 1/4s, 2011 (In default) (NON)	5,300
120,000	Moore Wallace bank term loan FRN Ser. B, 3.7313s, 2010 (acquired 3/13/03, cost \$120,000) (RES)	121,013
188,478	PRIMEDIA, Inc. bank term loan FRN Ser. B, 4.0979s, 2009 (acquired 2/10/03, cost \$180,468) (RES)	184,974
1,095,000	PRIMEDIA, Inc. company guaranty 8 7/8s, 2011	1,136,063
350,000	PRIMEDIA, Inc. company guaranty 7 5/8s, 2008	344,750
800,000	PRIMEDIA, Inc. 144A sr. notes 8s, 2013	802,000
165,000	Quebecor Media, Inc. sr. disc. notes stepped-coupon zero % (13 3/4s, 7/15/06), 2011 (Canada) (STP)	137,981
1,055,000	Quebecor Media, Inc. sr. notes 11 1/8s, 2011 (Canada)	1,200,063
248,108	RH Donnelley Finance Corp. I bank term loan FRN Ser. B, 5.1295s, 2010 (acquired 12/04/02, cost \$245,627) (RES)	252,489
925,000	RH Donnelley Finance Corp. I 144A sr. notes 8 7/8s, 2010	1,036,000
600,000	RH Donnelley Finance Corp. I 144A sr. sub. notes 10 7/8s, 2012	708,000
168,038	Sum Media bank term loan FRN Ser. B, 3.61s, 2009 (acquired 2/4/03, cost \$168,038) (RES)	168,248
875,000	Vertis, Inc. company guaranty Ser. B, 10 7/8s, 2009	901,250
655,000	Vertis, Inc. sub. notes 13 1/2s, 2009	609,150
455,000	Vertis, Inc. 144A sec. notes 9 3/4s, 2009	478,888
920,000	Von Hoffman Press, Inc. company guaranty 10 1/4s, 2009	982,100
100,000	Von Hoffman Press, Inc. company guaranty FRN 10 3/8s, 2007	100,750
130,878	Von Hoffman Press, Inc. debs. 13s, 2009 (PIK)	122,698
62,000	Yell Finance BV sr. notes 10 3/4s,	

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	2011 (Netherlands)	71,300
		-----
		15,085,073
Retail (0.9%)		
	-----	
	85,643 Advance Stores bank term loan FRN Ser. C, 3.983s, 2007 (acquired 3/4/03, cost \$85,643) (RES)	85,879
	455,000 Asbury Automotive Group, Inc. company guaranty 9s, 2012	455,000
	885,000 Autonation, Inc. company guaranty 9s, 2008	991,200
	335,000 Gap, Inc. (The) notes 6.9s, 2007	360,125
	375,000 Hollywood Entertainment Corp. sr. sub. notes 9 5/8s, 2011	406,875
	840,000 J. Crew Operating Corp. 144A sr. sub. notes 10 3/8s, 2007	852,600
	575,000 JC Penney Co., Inc. notes 9s, 2012	649,750
	30,000 JC Penney Co., Inc. notes 8s, 2010	32,925
	320,000 JC Penney Co., Inc. notes Ser. MTNA, 7.05s, 2005	332,800
	1,580,000 Saks, Inc. company guaranty 8 1/4s, 2008	1,730,100
	515,000 United Auto Group, Inc. company guaranty 9 5/8s, 2012	562,638
		-----
		6,459,892
Technology (1.4%)		
	-----	
	630,000 AMI Semiconductor, Inc. company guaranty 10 3/4s, 2013	708,750
	149,250 Amkor Technologies, Inc. bank term loan FRN 5.1247s, 2006 (acquired 4/17/03, cost \$149,447) (RES)	151,147
	390,000 Amkor Technologies, Inc. structured notes 12.58s, 2005 (issued by STEERS Credit Linked Trust 2000)	409,500
	195,000 Avaya, Inc. sec. sr. notes 11 1/8s, 2009	225,713
	785,000 DigitalNet Holdings Inc. 144A sr. notes 9s, 2010	832,100
EUR	580,000 Getronics NV sub. notes 13s, 2008 (Netherlands)	324,985
\$1,	150,000 Iron Mountain, Inc. company guaranty 8 5/8s, 2013	1,221,875
	170,000 Iron Mountain, Inc. company guaranty 8 1/8s, 2008 (Canada)	176,375
	390,000 Iron Mountain, Inc. sr. sub. notes 8 1/4s, 2011	405,600
	790,000 ON Semiconductor Corp. company guaranty 13s, 2008	900,600
	560,000 SCG Holding & Semiconductor Corp. company guaranty 12s, 2009	583,800
	620,000 Seagate Technology Hdd Holdings company guaranty 8s, 2009 (Cayman Islands)	682,000
	144,297 Telex Communications Group, Inc. sr. sub. notes Ser. A, zero %, 2006	79,363
	185,000 Xerox Capital Europe PLC company guaranty 5 7/8s, 2004 (United Kingdom)	185,925
	535,000 Xerox Corp. company guaranty 9 3/4s, 2009	593,850
EUR	195,000 Xerox Corp. sr. notes 9 3/4s, 2009	248,721
	\$300,000 Xerox Corp. sr. notes 7 5/8s, 2013	295,875
	1,785,000 Xerox Corp. sr. notes 7 1/8s, 2010	1,778,306

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9,804,485

Textiles (0.4%)

560,000	Galey & Lord, Inc. company guaranty 9 1/8s, 2008 (In default) (NON)	4,200
295,000	Levi Strauss & Co. bank term loan FRN 10s, 2009 (acquired 9/23/03, cost \$295,000) (RES)	301,514
940,000	Levi Strauss & Co. sr. notes 12 1/4s, 2012	752,000
460,000	Oxford Industries, Inc. 144A sr. notes 8 7/8s, 2011	489,900
505,000	Russell Corp. company guaranty 9 1/4s, 2010	536,563
615,000	William Carter Holdings Co. (The) company guaranty Ser. B, 10 7/8s, 2011	688,800
		----- 2,772,977

Tire & Rubber (--%)

220,000	Goodyear Tire & Rubber Co. (The) notes 7.857s, 2011	184,800
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Transportation (1.1%)

445,000	Allied Holdings, Inc. company guaranty Ser. B, 8 5/8s, 2007	413,850
550,000	American Airlines, Inc. pass-through certificates Ser. 01-1, 6.817s, 2011	462,000
80,000	American Airlines, Inc. pass-through certificates Ser. 99-1, 7.024s, 2009	76,800
985,000	Calair, LLC/Calair Capital Corp. company guaranty 8 1/8s, 2008	837,250
320,000	Continental Airlines, Inc. pass-through certificates Ser. D, 7.568s, 2006	240,000
930,000	CSX Corp. notes 6 1/4s, 2008	1,041,083
390,000	Delta Air Lines, Inc. pass-through certificates Ser. 00-1, 7.779s, 2005	322,178
267,352	Delta Air Lines, Inc. pass-through certificates Ser. 02-1, 7.779s, 2012	216,555
925,000	Evergreen International Aviation, Inc. 144A sec. notes 12s, 2010	841,750
EUR 400,000	Fixed-Link Finance BV sec. notes Ser. B2-X, 7.85s, 2009 (Netherlands)	321,347
\$910,000	Kansas City Southern Railway Co. company guaranty 9 1/2s, 2008	1,003,275
190,000	Kansas City Southern Railway Co. company guaranty 7 1/2s, 2009	197,125
135,000	Navistar International Corp. sr. notes Ser. B, 8s, 2008	137,700
540,000	Northwest Airlines, Inc. company guaranty 7 5/8s, 2005	473,850
261,692	NWA Trust sr. notes Ser. A, 9 1/4s, 2012	259,730
195,176	Pacer International, Inc. bank term loan FRN 4.4757s, 2010 (acquired 6/10/03, cost \$195,858) (RES)	196,559
190,000	Travel Centers of America, Inc. company guaranty 12 3/4s, 2009	216,600

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620,000	United AirLines, Inc. debs. 9 1/8s, 2012 (In default) (NON)	58,125
1,370,337	US Air, Inc. pass-through certificates Ser. 93-A2, 9 5/8s, 2004 (In default) (NON)	479,618
		-----
		7,795,395

Utilities & Power (3.9%)

54,000	AES Corp. (The) sr. notes 8 7/8s, 2011	53,730
30,000	AES Corp. (The) sr. notes 8 3/4s, 2008	30,075
1,885,000	AES Corp. (The) 144A sec. notes 8 3/4s, 2013	1,979,250
940,000	Allegheny Energy Supply 144A bonds 8 1/4s, 2012	827,200
335,000	Allegheny Energy, Inc. notes 7 3/4s, 2005	336,675
425,000	Avon Energy Partners Holdings 144A notes 7.05s, 2007 (United Kingdom)	361,250
40,000	Avon Energy Partners Holdings 144A notes 6.46s, 2008 (United Kingdom)	36,237
970,000	Calpine Canada Energy Finance company guaranty 8 1/2s, 2008 (Canada)	697,188
250,000	Calpine Corp. bank term loan FRN 6.86s, 2007 (acquired 7/11/03, cost \$250,000) (RES)	235,486
460,000	Calpine Corp. sr. notes 8 3/4s, 2007	342,700
390,000	Calpine Corp. sr. notes 8 1/2s, 2011	274,950
700,000	Calpine Corp. sr. notes 7 7/8s, 2008	493,500
1,940,000	Calpine Corp. 144A sec. notes 8 1/2s, 2010	1,784,800
280,000	CenterPoint Energy Resources Corp. debs. 6 1/2s, 2008	297,817
240,000	CenterPoint Energy Resources Corp. 144A notes 7 7/8s, 2013	269,624
150,000	CMS Energy Corp. pass-through certificates 7s, 2005	148,875
600,000	CMS Energy Corp. sr. notes 8.9s, 2008	621,000
230,000	CMS Energy Corp. sr. notes 8 1/2s, 2011	234,025
180,000	CMS Energy Corp. 144A sr. notes 7 3/4s, 2010	178,650
295,000	Dynegy Holdings, Inc. sr. notes 6 7/8s, 2011	247,063
1,810,000	Dynegy Holdings, Inc. 144A sec. notes 10 1/8s, 2013	1,909,550
40,000	Dynegy-Roseton Danskamme company guaranty Ser. A, 7.27s, 2010	37,400
265,000	Edison Mission Energy sr. notes 10s, 2008	233,200
440,000	Edison Mission Energy sr. notes 9 7/8s, 2011	376,200
320,000	Edison Mission Energy sr. notes 7.73s, 2009	260,800
155,000	El Paso CGP Co. debs. 6 1/2s, 2008	124,775
200,000	El Paso CGP Co. notes 6 3/8s, 2009	158,000
275,000	El Paso Corp. notes Ser. MTN, 6.95s, 2007	240,625
670,000	El Paso Corp. sr. notes 7 3/8s, 2012	547,725
365,000	El Paso Natural Gas Co. 144A sr. notes 7 5/8s, 2010	352,225
925,000	El Paso Production Holding Co. 144A sr. notes 7 3/4s, 2013	878,750
100,000	Gemstone Investor, Ltd. 144A company guaranty 7.71s, 2004	98,750

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380,323	Midland Funding II Corp. debts. Ser. A, 11 3/4s, 2005	413,602
385,000	Midwest Generation LLC pass-through certificates Ser. A, 8.3s, 2009	365,750
270,000	Mirant Americas Generation, Inc. sr. notes 8.3s, 2011 (In default) (NON)	211,950
950,000	Mirant Americas Generation, Inc. sr. notes 7 5/8s, 2006 (In default) (NON)	752,875
280,000	Mirant Americas Generation, Inc. sr. notes 7.2s, 2008 (In default) (NON)	221,900
280,000	Mission Energy Holding Co. sec. notes 13 1/2s, 2008	184,800
560,000	Nevada Power Co. 144A 2nd mtge. 9s, 2013	578,200
340,000	Northwest Pipeline Corp. company guaranty 8 1/8s, 2010	368,900
145,000	Orion Power Holdings, Inc. sr. notes 12s, 2010	163,850
360,000	Pacific Gas & Electric Co. 144A sr. notes 7 3/8s, 2005 (In default) (NON)	369,000
855,000	PG&E Corp. 144A sec. notes 6 7/8s, 2008	897,750
160,000	PG&E Gas Transmission Northwest sr. notes 7.1s, 2005	164,400
615,000	PSEG Energy Holdings, Inc. notes 7 3/4s, 2007	611,925
485,000	SEMCO Energy, Inc. 144A sr. notes 7 3/4s, 2013	488,031
565,000	Sierra Pacific Resources notes 8 3/4s, 2005	526,863
90,000	Southern California Edison Co. notes 6 3/8s, 2006	94,500
920,000	Southern California Edison Co. 144A 1st mtge. 8s, 2007	1,028,100
320,000	Teco Energy, Inc. notes 10 1/2s, 2007	356,400
160,000	Teco Energy, Inc. notes 7.2s, 2011	157,600
405,000	Teco Energy, Inc. notes 7s, 2012	390,319
365,000	Teco Energy, Inc. sr. notes 7 1/2s, 2010	370,019
595,000	Western Resources, Inc. sr. notes 9 3/4s, 2007	664,913
105,000	Williams Cos., Inc. (The) notes 9 1/4s, 2004	107,100
150,000	Williams Cos., Inc. (The) notes 8 1/8s, 2012	156,000
755,000	Williams Cos., Inc. (The) notes Ser. A, 6 3/4s, 2006	758,775
545,000	Williams Cos., Inc. (The) notes 6 1/2s, 2006	546,363
705,000	Williams Cos., Inc. (The) sr. notes 8 5/8s, 2010	747,300
375,000	Williams Holdings Of Delaware notes 6 1/2s, 2008	363,750
120,000	Williams Products bank term loan FRN 4.9s, 2007 (acquired 6/4/03, cost \$120,000) (RES)	120,975
926,682	York Power Funding 144A notes 12s, 2007 (Cayman Islands) (In default) (NON)	648,677
		-----
		27,498,682
		-----
	Total Corporate bonds and notes (cost \$355,326,393)	\$358,167,977

Foreign government bonds and notes (18.6%) (a)

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Principal amount		Value
\$6,890,000	Brazil (Federal Republic of) bonds 2.188s, 2012	\$5,512,000
1,495,000	Brazil (Federal Republic of) unsub. 10s, 2011	1,461,363
3,000,000	Bulgaria (Republic of) 144A bonds 8 1/4s, 2015	3,412,500
CAD 8,510,000	Canada (Government of) bonds 6s, 2011	6,972,018
CAD 3,680,000	Canada (Government of) bonds Ser. WH31, 6s, 2008	2,991,466
\$900,000	Chile (Republic of) bonds 5 1/2s, 2013	936,000
364,629	Colombia (Republic of) bank guaranty 9 3/4s, 2011	405,650
1,040,000	Colombia (Republic of) bonds Ser. NOV, 9 3/4s, 2009	1,151,800
5,305,000	Colombia (Republic of) notes 10 3/4s, 2013	5,941,600
EUR 770,000	Colombia (Republic of) unsub. bonds Ser. 15A, 11 3/8s, 2008	1,022,023
\$915,000	Dominican (Republic of) 144A notes 9.04s, 2013	828,075
1,000,000	Ecuador (Republic of) bonds Ser. REGS, 12s, 2012	827,500
1,000,000	El Salvador (Republic of) 144A notes 8 1/2s, 2011	1,090,000
EUR 8,330,000	Germany (Federal Republic of) bonds Ser. 95, 7 3/8s, 2005	10,319,331
EUR 1,345,000	Hellenic Greece (Republic of) bonds 3 1/2s, 2008	1,585,558
\$185,000	Indonesia (Republic of) FRN 2.005s, 2006	159,100
460,000	Indonesia (Republic of) FRN 2.005s, 2005	418,600
EUR 3,400,000	Italy (Government of) treasury bonds 5 1/2s, 2010	4,400,798
NZD 9,290,000	New Zealand (Government of) bonds 6 1/2s, 2013	5,776,485
NZD 5,804,000	New Zealand (Government of) bonds Ser. 709, 7s, 2009	3,667,473
\$1,635,000	Peru (Republic of) notes 9 1/8s, 2008	1,908,863
EUR 355,000	Philippines (Republic of) 144A bonds 9 1/8s, 2010	437,506
\$12,690,000	Russia (Federation of) unsub. 8 1/4s, 2010	14,327,010
EUR 305,000	South Africa (Republic of) bonds 5 1/4s, 2013	346,234
\$2,855,000	South Africa (Republic of) notes 7 3/8s, 2012	3,237,570
EUR 1,000,000	Spain (Government of) bonds 5.4s, 2011	1,292,373
SEK 30,690,000	Sweden (Government of) bonds 6 3/4s, 2014	4,699,830
SEK 26,915,000	Sweden (Government of) bonds Ser. 3101, 4s, 2008	4,268,719
\$1,000,000	Turkey (Republic of) bonds 11 3/4s, 2010	1,141,500
3,000,000	Turkey (Republic of) notes 9 7/8s, 2008	3,237,000
401,804	Ukraine (Government of) sr. notes Ser. REGS, 11s, 2007	446,806
EUR 231,936	Ukraine (Government of) sr. notes Ser. REGS, 10s, 2007	292,186
\$730,000	Ukraine (Government of) sr. notes, 7.65s, 2013	725,620
GBP 4,030,000	United Kingdom treasury bonds 7 1/4s, 2007	7,448,231
GBP 6,900,000	United Kingdom treasury bonds	

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7 1/2s, 2006	12,586,341
\$1,835,000 United Mexican States notes 7 1/2s, 2012	2,076,303
8,440,000 United Mexican States notes 6 3/8s, 2013	8,874,660
630,000 United Mexican States notes 4 5/8s, 2008	642,600
3,428,480 Venezuela (Republic of) FRB 1 7/8s, 2007	3,098,660
465,000 Venezuela (Republic of) 144A notes 10 3/4s, 2013	428,963
	-----
Total Foreign government bonds and notes (cost \$116,502,678)	\$130,396,315
U.S. government and agency obligations (13.5%) (a)	
Principal amount	Value
U.S. Government and Agency Mortgage Obligations (9.8%)	
-----	
Federal National Mortgage Association Pass-Through Certificates	
\$201 8 1/2s, March 1, 2006	\$215
24,529 8s, with due dates from October 1, 2025 to July 1, 2028	26,638
61,691 7 1/2s, December 1, 2029	65,851
669,233 6 1/2s, August 1, 2032	697,636
19,728,000 6 1/2s, TBA, October 1, 2032	20,560,285
12,489,400 5s, TBA, October 1, 2033	12,489,400
Government National Mortgage Association Pass-Through Certificates	
4,097,676 5s, with due dates from August 15, 2033 to September 15, 2033	4,109,116
31,032,000 5s, TBA, October 1, 2033	31,090,185
	-----
	69,039,326
U.S. Treasury Obligations (3.7%)	
-----	
U.S. Treasury Notes	
7,500,000 6 1/2s, February 15, 2010	8,900,100
16,690,000 1 5/8s, March 31, 2005	16,792,360
	-----
	25,692,460
	-----
Total U.S. government and agency obligations (cost \$93,386,439)	\$94,731,786
Asset-backed securities (7.7%) (a)	
Principal amount	Value
-----	
\$419,290 ABSC Nims Trust 144A Ser. 03-HE5, Class A, 7s, 2033	\$409,856
Ameriquist Mortgage Securities, Inc.	
104,000 FRB Ser. 03-10, 4.869s, 2012	85,456
83,000 FRB Ser. 03-8, Class MV6, 4.86s, 2033	69,709
164,000 FRN Ser. 03-AR3, Class M5, 4.87s, 2033	155,480
418,000 FRN Ser. 03-1, Class M4, 4.2s, 2033	349,353
Amortizing Residential Collateral Trust	
19,303,636 Ser. 02-BC1, Class A, IO, 6s, 2005	744,486
387,000 FRN Ser. 02-BC5, Class B, 3.37s, 2032	330,462
144,000 FRN Ser. 02-BC7, Class B3, 3.12s, 2032	124,453
507,040 AQ Finance NIM Trust Ser. 03-N1, Class Note, 9.37s, 2033	507,028

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	AQ Finance NIM Trust 144A	
994,826	Ser. 03-N2, Class Note, 9.3s, 2033	994,826
213,000	Ser. 03-N9A, Class NOTE, 7.385s, 2033	213,000
	Arc Net Interest Margin Trust 144A	
312,278	Ser. 02-8A, Class A1, 7 3/4s, 2032	309,705
158,470	Ser. 02-1A, Class A, 7 3/4s, 2032	158,443
98,135	Arc Net Interest Margin Trust Ser. 02-5A, Class A, 7 3/4s, 2032	97,503
383,000	Arcap, Inc. 144A Ser. 03-1A, Class E, 6.33s, 2038 (R)	395,208
180,000	Argent Securities, Inc. FRB Ser. 03-W1, Class MV6, 4.87s, 2033	142,128
	Asset Backed Funding Certificates 2031	340,140
434,000	FRB Ser. 03-WF1, Class M3, 4.17s, 2032	434,000
132,000	FRB Ser. 03-WF1, Class M4, 4.37s, 2032	120,816
63,513	Asset Backed Funding Corp. NIM Trust Ser. 02-WF1, 9.32s, 2032	63,513
154,388	Asset Backed Funding Corp. NIM Trust 144A Ser. 03-WF1, Class N1, 8.35s, 2032	154,388
	Asset Backed Securities Corp. Home Equity Loan Trust	
250,000	FRB Ser. 02-HE3, Class M4, 4.12s, 2032	215,614
159,000	FRB Ser. 03-HE5, Class M5, 5.37s, 2033	137,202
362,000	FRB Ser. 03-HE6, Class M6, 5.12s, 2033	316,388
372,000	FRN Ser. 03-HE1, Class M4, 5.62s, 2033	324,655
390,000	FRN Ser. 03-HE3, Class M5, 5.12s, 2033	333,188
806,000	FRN Ser. 03-HE2, Class M4, 4.97s, 2033	776,130
340,001	Aviation Capital Group Trust 144A FRB Ser. 03-2A, Class G1, 1.82s, 2033	340,001
1,845,000	Bank One Issuance Trust FRN Ser. 02-C1, Class C1, 2.08s, 2009	1,833,973
	Bayview Financial Acquisition Trust	
995,000	Ser. 02-CA, Class A, IO, 7.15s, 2004	37,623
710,870	FRN Ser. 01-DA, Class M3, 2.52s, 2031	703,762
34,465,189	Ser. 03-X, Class AIO1, IO, 1.36s, 2006	506,207
	CDC Mortgage Capital Trust	
257,000	FRB Ser. 03-HE3, Class B3, 4.87s, 2033	213,079
349,997	FRN Ser. 03-HE2, Class B3, 4.87s, 2033	298,238
68,072	Chase Funding Net Interest Margin Ser. 02-2, 8 1/2s, 2035	67,868
	Chase Funding Net Interest Margin 144A	
157,932	Ser. 03-1A, Class NOTE, 8 3/4s, 2004	158,406
690,482	Ser. 03-4A, Class NOTE, 6 3/4s, 2036	689,722
390,845	Ser. 03-2A, Class NOTE, 8 3/4s, 2035	388,773
	Conseco Finance Securitizations Corp.	
248,000	Ser. 00-2, Class A4, 8.48s, 2021	258,209
4,342,000	Ser. 00-4, Class A6, 8.31s, 2032	3,848,182
1,100,000	Ser. 00-6, Class M2, 8.2s, 2032	550,000
23,000	Ser. 01-04, Class A4, 7.36s, 2019	21,848
13,000	Ser. 01-3, Class A3, 5.79s, 2024	12,831
494,000	Ser. 01-3, Class A4, 6.91s, 2033	455,212
1,030,000	Ser. 01-4, Class B1, 9.4s, 2010	360,500
2,960,176	Ser. 02-1, Class A, 6.681s, 2032	2,949,890
300,000	Ser. 2001-3, Class M2, 7.44s, 2033	99,000
790,000	Consumer Credit Reference IDX Securities FRB Ser. 02-1A, Class A, 3.14s, 2007	787,346
	First Franklin Mortgage Loan Asset Backed Certificates	
169,000	Ser. 03-FF3, 4.12s, 2033	158,315
187,000	FRB Ser. 03-FF4, Class M6, 4.92s, 2033	170,141
	Granite Mortgages PLC	



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EUR	1,430,000	Ser. 03-2, Class 2C1, 5.2s, 2010 (United Kingdom)	1,644,970
GBP	1,075,000	FRN Ser. 03-2, Class 3C, 4.956s, 2043 (United Kingdom)	1,785,898
	\$165,693	Green Tree Financial Corp. Ser. 99-3, 6.16s, 2031	168,248
	1,247,000	Ser. 99-5, Class A5, 7.86s, 2030 Greenpoint Manufactured Housing	1,114,047
	2,100,522	Ser. 00-3, Class IA, 8.45s, 2031	1,826,624
	50,000	Ser. 99-5, Class A4, 7.59s, 2028 GSAMP Trust	50,806
	123,726	Ser. 02-HE2N, Class Note, 8 1/4s, 2032	123,814
	214,000	FRB Ser. 03-FM1, Class B3, 5.62s, 2033	190,995
	318,215	GSAMP Trust 144A Ser. 03-HE1N, Class NOTE, 7 1/4s, 2033	340,758
		Home Equity Asset Trust	
	114,346	Ser. 02-1N, Class A, 8s, 2032	112,917
	383,000	FRB Ser. 03-5, Class B3, 5.62s, 2033 Home Equity Asset Trust 144A	340,321
	691,565	Ser. 02-5N, Class A, 8s, 2033	677,734
	278,000	Ser. 03-4N, Class A, 8s, 2033	276,165
	1,260,000	LNR CDO, Ltd. Ser. 02-1A, Class FFL, 3.87s, 2037	1,164,996
	598,632	Long Beach Asset Holdings Corp. 144A Ser. 03-2, Class N1, 7.627s, 2033	598,632
	305,776	Long Beach Asset Holdings Corp. NIM Trust 144A Ser. 03-4, Class N1, 6.535s, 2033	305,681
	419,000	Long Beach Mortgage Loan Trust FRN Ser. 03-3, Class M4, 4.62s, 2033	343,580
	1,046,356	Madison Avenue Manufactured Housing Contract FRN Ser. 02-A, Class B1, 4.37s, 2032	680,131
		Mastr Asset Backed Securities Trust	
	136,000	FRB Ser. 03-NC1, 5.12s, 2033	112,200
	205,000	FRB Ser. 03-OPT1, Class MV5, 4.62s, 2032	179,831
	524,000	FRN Ser. 03-OPT2, Class M5, 4.87s, 2033 Merrill Lynch Mortgage Investors, Inc.	462,983
	351,000	Ser. 03-WM3N, Class N1, 8s, 2005	347,702
	685,000	FRB Ser. 03-WMC1, Class B2, 4.12s, 2033	648,181
	300,000	FRB Ser. 03-WMC3, Class B3, 4.12s, 2034 Mid-State Trust	252,750
	554,117	Ser. 10, Class B, 7.54s, 2036	498,621
	440,795	Ser. 11, Class B, 8.221s, 2038 Morgan Stanley Capital I	423,232
	354,000	FRB Ser. 02-NC6, Class B2, 4.87s, 2032	307,427
	398,000	FRB Ser. 03-NC10, Class B3, 4.869s, 2013	331,646
	472,000	FRB Ser. 03-NC8, Class B3, 4.87s, 2033	389,432
	399,000	FRN Ser. 03-NC6, Class B3, 4.87s, 2033 Morgan Stanley Dean Witter Capital I	332,138
	390,000	FRN Ser. 01-NC3, Class B1, 3.57s, 2031	355,043
	358,000	FRN Ser. 01-NC4, Class B1, 3.62s, 2032	325,014
	640,000	FRN Ser. 02-AM2, Class B1, 3.37s, 2032	576,757
	355,000	FRN Ser. 02-HE1, Class B1, 2.92s, 2032	332,571
	82,798	Morgan Stanley Dean Witter Capital I 144A Ser. 01-NC4N, Class Note, 8 1/2s, 2032	82,884
	400,000	New Century Home Equity Loan Trust FRN Ser. 03-2, Class M4, 4.72s, 2033	341,000
	77,228	NovaStar Caps Trust Ser. 02-C1, Class A, 7.15s, 2031	90,406
		Option One Mortgage Loan Trust	

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375,000	FRB Ser. 03-6, Class M6, 4.62s, 2033	321,768
377,000	FRN Ser. 03-3, Class M6, 4.62s, 2033	334,440
175,709	Option One Mortgage Securities Corp. Ser. 02-2A, Class CFTS, 8.83s, 2032	175,709
	Option One Mortgage Securities Corp. 144A	
168,583	Ser. 02-1, Class CTFS, 6 3/4s, 2032	167,871
187,911	Ser. 03-5, 6.9s, 2033	187,911
233,129	Option One Mortgage Securities Corp. NIM Trust 144A Ser. 03-2B, Class N1, 7.63s, 2033 (Cayman Islands)	233,056
963,377	Pass-Through Amortizing Credit Card Trust Ser. 02-1A, Class A4FL, 6.62s, 2012	960,015
4,594,057	Residential Asset Mortgage Products, Inc. Ser. 03-RZ1, Class A, IO, 0.347s, 2005	313,688
157,882	Rural Housing Trust Ser. 87-1, Class D, 6.33s, 2026	166,245
	SAIL Net Interest Margin Notes 144A	
445,599	Ser. 03-7A, Class A, 7s, 2033	442,293
482,153	Ser. 03-FF3A, Class A, 6 3/4s, 2033	480,281
138,000	Ser. 03-8A, Class A, 7s, 2033	137,305
	Sasco Arc Net Interest Margin Notes 144A	
426,885	Ser. 03-3, Class A, 7 3/4s, 2033	424,742
157,519	Ser. 03-4, Class A, 7 1/2s, 2033 (Cayman Islands)	157,353
806,305	Ser. 03-5, Class A, 7.35s, 2033 (Cayman Islands)	806,069
760,239	Ser. 03-BC2A, Class A, 7 3/4s, 2033	758,030
140,366	Ser. 02-BC10, Class A, 7 3/4s, 2033	139,090
709,321	Ser. 03-AM1, Class A, 7 3/4s, 2033	705,863
275,880	Ser. 03-BC1, Class B, zero %, 2033	197,556
265,000	Saxon Asset Securities Trust FRB Ser. 03-3, Class M6, 6.656s, 2033	228,438
351,000	Saxon Net Interest Margin Trust 144A Ser. 03-A, Class A, 6 3/4s, 2033	351,000
140,000	SCF III Class A2, 2.31s, 2038	140,000
147,108	SHARP 144A Ser. 03-TC1N, 7 3/4s, 2033 Structured Asset Investment Loan Trust	147,108
955,000	Ser. 03-BC1, Class M3, 4.12s, 2033	946,495
813,539	Ser. 03-BC1A, Class A, 7 3/4s, 2033	809,585
9,136,654	Ser. 03-BC2, Class A, IO, 6s, 2005	588,864
138,000	Ser. 03-BC2, Class B, 7s, 2033	131,081
368,000	FRN Ser. 03-BC3, Class B, 4.62s, 2033	329,015
395,000	Structured Asset Securities Corp. FRN Ser. 02-HF2, Class M3, 3.12s, 2032	335,966
390,000	TIAA Commercial Real Estate Securitization Ser. 02-1A, Class IV, 6.84s, 2037	328,804
904,000	WALT 144A Ser. 03-1, Class D, 6s, 2010	907,814
2,877,000	Washington Mutual Ser. 03-S1, Class All, IO, 5.5s, 2033	269,719
		-----
	Total Asset-backed securities (cost \$57,414,623)	\$53,971,565

Collateralized mortgage obligations (5.4%) (a)

Principal amount

Value

\$27,567,500	Deutsche Mortgage & Asset Receiving Corp. Ser. 98-C1, Class X, IO, 1.193s, 2023	\$965,326
GBP 1,333,369	Hermione (European Loan Conduit No.	

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14) 144A FRB Class A, 4.102s, 2011 (Ireland)	2,215,126
Federal National Mortgage Association	
\$229,839 Ser. 98-51, Class SG, IO, 25.3s, 2022	92,699
1,380,109 Ser. 02-36, Class SJ, 17.325s, 2029	1,540,704
743,543 Ser. 03-W3, Class 1A3, 7 1/2s, 2042	819,120
13,826 Ser. 03-W2, Class 1A3, 7 1/2s, 2042	15,232
872,147 Ser. 01-T10, Class A2, 7 1/2s, 2041	960,797
22,387 Ser. 01-T8, Class A1, 7 1/2s, 2041	24,662
3,363,089 Ser. 01-T7, Class A1, 7 1/2s, 2041	3,704,934
495,604 Ser. 01-T3, Class A1, 7 1/2s, 2040	545,979
1,489,899 Ser. 01-T1, Class A1, 7 1/2s, 2040	1,641,341
595,502 Ser. 99-T2, Class A1, 7 1/2s, 2039	656,033
320,314 Ser. 00-T6, Class A1, 7 1/2s, 2030	352,873
1,477,160 Ser. 01-T4, Class A1, 7 1/2s, 2028	1,627,307
3,686 Ser. 02-W3, Class A5, 7 1/2s, 2028	4,060
60,895 Ser. 02-21, Class PS, IO, 7.08s, 2025	400
3,809,194 Ser. 02-9, Class MS, IO, 6.98s, 2032	328,543
2,990,215 Ser. 02-36, Class QH, IO, 6.93s, 2029	191,929
666,702 Ser. 02-29, Class SL, IO, 6.93s, 2029	18,921
1,738,377 Ser. 02-63, Class SN, IO, 6.88s, 2032	152,108
1,624,841 Ser. 02-52, Class SL, IO, 6.88s, 2032	123,704
2,800,603 Ser. 02-92, Class SA, IO, 6.83s, 2033	341,323
1,629,123 Ser. 03-7, Class SM, IO, 6.63s, 2023	52,183
4,083,268 Ser. 03-49, Class TS, IO, 6.58s, 2018	553,155
1,827,166 Ser. 03-14, Class KS, IO, 6.48s, 2017	168,156
901,145 Ser. 03-23, Class SC, IO, 6.43s, 2033	49,000
3,314,600 Ser. 03-41, Class SP, IO, 6.08s, 2015	291,063
9,623,799 Ser. 03-34, Class ES, IO, 5.88s, 2033	1,005,988
3,849,492 Ser. 03-34, Class SG, IO, 5.88s, 2033	409,610
2,479,464 Ser. 03-45, Class PI, IO, 5 1/2s, 2029	283,589
Federal National Mortgage Association	
6,996,681 Ser. 03-63, Class SE, IO, 5.48s, 2031	834,136
13,877,239 Ser. 03-W10, Class 3A, IO, 2.247s, 2043	587,614
11,561,749 Ser. 03-W10, Class 1A, IO, 2.227s, 2043	494,987
1,733,619 Ser. 318, Class 2, IO, 6s, 2032	270,878
4,814,741 Ser. 329, Class 2, IO, 5.5s, 2033	1,008,110
708,763 Ser. 01-74, Class MI, IO, 6s, 2015	47,139
1,620,244 Ser. 332, Class 2, IO, 6s, 2033	302,791
1,880,500 Ser. 03-24, Class IC, IO, 5s, 2015	296,252
1,347,490 Ser. 322, Class 2, IO, 6s, 2032	210,545
1,582,668 Ser. 03-58, IO, 6s, 2033	272,021
11,358,216 Ser. 03-34, IO, 6s, 2032	1,187,289
2,017,407 Ser. 03-26, Class IG, IO, 6s, 2033	338,546
5,595,291 Ser. 03-23, Class AI, IO, 5s, 2017	591,003
3,361,422 Ser. 03-37, Class IC, IO, 5.5s, 2027	352,961
30,199 Ser. 02-27, Class IA, IO, 6s, 2013	193
232,904 Ser. 02-97, PO, zero %, 2033	218,493
288,149 Ser. 99-51, Class N, PO, zero %, 2029	255,057
219,009 Ser. 99-52, Class MO, PO, zero %, 2026	213,544
108,607 Ser. 96-5, Class PB, PO, zero %, 2024	107,521
17,227 Federal Home Loan Mortgage Corp.	
Structured Pass-Through Securities	
Ser. T-58, Class 4A, 7 1/2s, 2043	18,942
Federal Home Loan Mortgage Corporation	
1,309,500 Ser. 2412, Class GS, FRN, 18.018s, 2032	1,532,115
1,418,300 Ser. 2515, Class IG, IO, 5.5s, 2032	428,353
5,832,044 Ser. 216, IO, 6s, 2032	872,987
2,707,400 Ser. 2448, Class SM, IO, 6.88s, 2032	419,647
729,500 Ser. 2590, Class IH, IO, 5.5s, 2028	191,950
786,443 Ser. 2448, Class SE, IO, 6.98s, 2029	26,542
546,555 Ser. 2478, Class SY, IO, 7.03s, 2021	24,937

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2,942,623	Ser. 2579, Class GS, IO, 6.53s, 2017	255,107
715,360	Ser. 215, Class PO, PO, zero %, 2031	653,437
597,062	Ser. 2235, PO, zero %, 2030	529,519
3	Ser. 2078, Class KC, PO, zero % 2023	3
15,700,392	FFCA Secured Lending Corp. Ser. 00-1, Class X, IO, 1.66s, 2027	1,157,951
	Government National Mortgage Association	
523,605	Ser. 02-36, Class SD, IO, 7.03s, 2029	10,636
1,189,212	Ser. 02-51, Class SA, IO, 6.98s, 2032	41,639
1,450,144	Ser. 02-29, Class SX, IO, 6.93s, 2029	41,682
2,073,880	Ser. 01-43, Class SJ, IO, 6.48s, 2029	106,161
926,361	Ser. 01-43, Class SD, IO, 6.44s, 2028	11,869
3,421,470	Ser. 01-19, Class S, IO, 6.38s, 2031	290,825
4,960,900	Ser. 03-83, Class SI, IO, 5.38s, 2032	448,806
3,489,040	Ser. 02-47, Class SM, IO, 4.85s, 2032	202,800
239,748	Ser. 02-40, Class IB, IO, 6.5s, 2028	4,158
314,384	Ser. 98-2, Class EA, PO, zero %, 2028	285,003
10,427,652	Merrill Lynch Mortgage Investors, Inc. Ser. 96-C2, IO, 2.11s, 2028	746,656
3,169,881	Merrill Lynch Mortgage Trust 144A Ser. 02-MW1, Class XP, IO, 1.62s, 2034	226,595
5,450,228	Mortgage Capital Funding, Inc. Ser. 97-MC2, Class X, IO, 1.54s, 2012	212,333
	Strategic Hotel Capital, Inc. 144A	
605,000	Ser. 03-1, Class I, 3.52s, 2013	605,000
1,626,000	Ser. 03-1, Class H, 3.22s, 2013	1,626,000
180,000	Trizechahn Office Properties Trust 144A Ser. 01-TZHA, Class D3, 6.943s, 2013	194,168
		-----
	Total Collateralized mortgage obligations (cost \$41,138,820)	\$37,890,766

Preferred stocks (1.1%) (a)

Number of shares		Value
-----		
10,732	Chevy Chase Preferred Capital Corp. Ser. A, \$5.188 pfd.	\$607,431
3,150	Chevy Chase Savings Bank, Inc. \$3.25 pfd.	87,806
23,612	CSC Holdings, Inc. Ser. M, \$11.125 cum. pfd.	2,476,309
19,200	Diva Systems Corp. Ser. C, 6.00% cum. pfd.	192
212	Dobson Communications Corp. 13.00% pfd. (PIK)	222,600
1,256	Dobson Communications Corp. 12.25% pfd. (PIK)	1,319,252
320	First Republic Capital Corp. 144A 10.50% pfd.	344,000
11,765	Fitzgeralds Gaming Corp. zero % cum. pfd.	118
12,814	iStar Financial, Inc. \$1.95 cum. pfd.	320,350
41	Leiner Health Products Ser. C, zero % pfd.	1
16,417	Lodgian, Inc. Ser. A, \$7.06 cum. pfd. (PIK)	410,424
100	Metrocall Holdings, Inc. Ser. A, 15.00% cum. pfd.	1,100
3,574	Microcell Telecommunications, Inc. zero % pfd. (Canada)	42,390
1,337	North Atlantic Trading Co. 12.00% pfd. (PIK)	22,073
17	NTL Europe, Inc. Ser. A, zero % cum. pfd.	60
105	Paxson Communications Corp. 13.25% cum. pfd. (PIK)	924,000

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1,301 Rural Cellular Corp. 12.25% pfd. (PIK)	728,560
	-----
Total Preferred stocks (cost \$8,619,060)	\$7,506,666
Common stocks (0.9%) (a)	
Number of shares	Value
-----	
2,305 Alderwoods Group, Inc. (NON)	\$17,864
820,000 AMRESKO Creditor Trust (NON) (R)	22,960
1,770 Archibald Candy Corp. (NON)	5,045
14,080 Aurora Foods, Inc. (NON)	1,478
2,880 Birch Telecom, Inc. (NON)	9,965
493 Comdisco Holding Co., Inc. (NON)	41,412
36,832 Conseco, Inc. (NON)	665,186
3,445,121 Contifinancial Corp. Liquidating Trust Units	34,451
15,321 Covad Communications Group, Inc. (NON)	84,725
84,755 Dobson Communications Corp. (NON)	688,211
22,904 Fitzgeralds Gaming Corp. (NON)	229
1,807 Genesis Health Ventures, Inc. (NON)	43,820
34,403 Globix Corp. (NON)	86,008
7,661 Jasper Energy 144A (NON)	479
44,795 Laidlaw International, Inc. (NON)	441,231
19,451 Lodgian, Inc. (NON)	104,063
120,000 Loewen Group International, Inc. (NON)	12
1,400 Mariner Health Care, Inc. (NON)	17,080
1,400 Mediq, Inc. (NON)	140
166 Metrocall Holdings, Inc. (NON)	24,070
30 Microcell Telecommunications, Inc. Class A (Canada) (NON)	334
3,552 Microcell Telecommunications, Inc. Class B (Canada) (NON)	42,155
870,000 Morrison Knudsen Corp. (NON)	93,525
49,759 Pioneer Cos., Inc. (NON)	226,403
7,016 Polymer Group, Inc. Class A (NON)	60,618
327 Premium Holdings (LP) 144A (NON)	7,030
715 PSF Group Holdings, Inc. 144A Class A (NON)	1,251,828
167 Quorum Broadcast Holdings, Inc. Class E (acquired 5/15/01, cost \$166,516) (NON) (RES)	89,187
120,076 Regal Entertainment Group 144A	2,010,072
110 Sterling Chemicals, Inc. (NON)	1,678
740 Sun Healthcare Group, Inc. (NON)	5,365
948,000 VFB LLC (NON)	180,120
2,135 Washington Group International, Inc. (NON)	57,538
249 WilTel Communications, Inc. (NON)	3,979
1,567 York Research Corp. 144A (NON)	98
	-----
Total Common stocks (cost \$15,255,121)	\$6,318,359
Convertible bonds and notes (0.4%) (a)	
Principal amount	Value
-----	
\$115,000 AES Corp. (The) cv. sub. notes 4 1/2s, 2005	\$106,088
895,000 American Tower Corp. cv. notes 5s, 2010	808,856
200,000 Amkor Technologies, Inc. cv. notes 5 3/4s, 2006	190,250
2,430,000 Cybernet Internet Services	

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	International, Inc. 144A cv. sr. disc. notes stepped-coupon zero % (13s, 8/15/04) 2009 (Denmark) (In default) (NON) (STP)	2,430
230,000	DaVita, Inc. cv. sub. notes 7s, 2009	240,063
275,000	Kulicke & Soffa Industries, Inc. cv. sub. notes 4 3/4s, 2006	240,969
18,000	Millicom International Cellular SA 144A cv. bonds zero %, 2006 (Luxembourg) (PIK)	36,000
1,155,000	Nextel Communications, Inc. cv. sr. notes 6s, 2011	1,251,731
310,000	Rogers Communications cv. debs. 2s, 2005 (Canada)	277,838
		-----
	Total Convertible bonds and notes (cost \$4,743,584)	\$3,154,225

Units (0.2%) (a)

Number of units		Value
600,000	Australis Media, Ltd. units 15 3/4s, 2003 (Australia) (In default) (DEF) (NON)	\$60
1,193,000	HMP Equity Holdings Corp. units zero %, 2008	578,605
220,000	Tom Brown Inc. units 7 1/4s, 2013	227,700
950	XCL Equity Units zero %	133,333
500,000	XCL, Ltd. 144A units 13 1/2s, 2004 (In default) (NON)	150,000
		-----
	Total Units (cost \$2,067,129)	\$1,089,698

Convertible preferred stocks (0.1%) (a)

Number of shares		Value
9,140	Crown Castle International Corp. \$3.125 cv. pfd.	\$356,460
1,991	Knology, Inc. 144A Ser. D, zero % cv. pfd.	20
3,800	LTV Corp. 144A \$4.125 cv. pfd. (In default) (NON)	38
48	Paxson Communications Corp. 144A 9.75% cv. pfd. (PIK)	364,800
6,847	Telex Communications, Inc. zero % cv. pfd. (In default) (NON)	6,847
		-----
	Total Convertible preferred stocks (cost \$912,180)	\$728,165

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

Number of warrants	Expiration date	Value
1,500	Comunicacion Celular SA 144A (Colombia)	11/15/03
		\$1,500
1,020	Dayton Superior Corp. 144A	6/15/09
		255
809	Diva Systems Corp. 144A	5/15/06
		8
3	Doe Run Resources Corp. 144A	12/31/12
		1
295	MDP Acquisitions PLC 144A (Ireland)	10/1/13
		737
2,199	Microcell Telecommunications (Canada)	5/1/08
		3,797
1,319	Microcell Telecommunications (Canada)	5/1/05
		1,545
390	Mikohn Gaming Corp. 144A	8/15/08
		4

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400	ONO Finance PLC 144A (United Kingdom)	2/15/11	1
410	Pliant Corp. 144A	6/1/10	205
491	Solutia, Inc. 144A	7/15/09	12,275
1,851	Sun Healthcare Group, Inc.	2/28/05	1
1,830	Travel Centers of America, Inc. 144A	5/1/09	18,300
1,670	Ubiquitel, Inc. 144A	4/15/10	17
30	Versatel Telecom NV (Netherlands)	5/15/08	1
1,317	Washington Group International, Inc. Ser. A	1/25/06	6,650
1,506	Washington Group International, Inc. Ser. B	1/25/06	5,270
814	Washington Group International, Inc. Ser. C	1/25/06	2,483
590	XM Satellite Radio Holdings, Inc. 144A	3/15/10	6
	Total Warrants (cost \$482,247)		\$53,056

Short-term investments (9.9%) (a)

Principal amount	Value	
\$1,752,000	U.S. Treasury Note zero %, November 6, 2003 (SEG)	\$1,750,180
629,218	Short-term investments held as collateral for loaned securities with yields ranging from 1.04% to 1.19% and due dates ranging from October 1, 2003 to November 18, 2003 (d)	628,900
33,912,000	Interest in \$357,000,000 tri-party repurchase agreement dated September 30, 2003 with UBS Securities, LLC due October 1, 2003 with respect to various U.S. Government obligations -- maturity value of \$33,913,017 for an effective yield of 1.08%	33,912,000
33,000,000	Interest in \$263,000,000 tri-party repurchase agreement dated September 30, 2003 with Goldman Sachs & Co. due October 1, 2003 with respect to various U.S. Government obligations -- maturity value of \$33,000,990 for an effective yield of 1.08%	33,000,000
	Total Short-term investments (cost \$69,291,080)	\$69,291,080
	Total Investments (cost \$765,139,354)	\$763,299,658

(a) Percentages indicated are based on net assets of \$700,693,933.

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

(NON) Non-income-producing security.

(STP) The interest or dividend rate and date shown parenthetically represent the new interest or dividend rate to be paid and the date the

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fund will begin accruing interest or dividend income at this rate.

- (RES) Restricted, excluding 144A securities, as to public resale. The total market value of restricted securities held at September 30, 2003 was \$16,870,304 or 2.4% of net assets.
- (PIK) Income may be received in cash or additional securities at the discretion of the issuer.
- (SEG) This security was pledged and segregated with the custodian to cover margin requirements for futures contracts at September 30, 2003.
- (R) Real Estate Investment Trust.
- (d) See Note 1 to the financial statements.

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

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

The rates shown on Floating Rate Bonds (FRB) and Floating Rate Notes (FRN) are the current interest rates shown at September 30, 2003.

### DIVERSIFICATION BY COUNTRY

Distribution of investments by country of issue at September 30, 2003:  
(as a percentage of Market Value)

Brazil	0.9%
Canada	2.9
Colombia	1.1
France	0.7
Germany	1.4
Italy	0.6
Luxembourg	0.6
Malaysia	0.7
New Zealand	1.2
Russia	2.4
South Africa	0.5
Sweden	1.2
United Kingdom	3.6
United States	77.0
Other	5.2
-----	
Total	100.0%

Forward currency contracts to buy at September 30, 2003  
(aggregate face value \$57,307,924)

	Market value	Aggregate face value	Delivery date	Unrealized appreciation
-----	-----	-----	-----	-----
Australian Dollar	\$20,697,424	\$19,866,055	12/17/03	\$831,369
British Pound	45,604	43,636	12/17/03	1,968
Canadian Dollar	714,402	703,995	12/17/03	10,407
Danish Krone	1,098,488	1,023,418	12/17/03	75,070



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Euro	1,386,755	1,364,887	12/17/03	21,868
Japanese Yen	32,492,896	30,962,855	12/17/03	1,530,041
Swedish Krona	319,699	306,220	12/17/03	13,479
Swiss Franc	447,830	418,633	12/17/03	29,197
Taiwan Dollar	2,633,761	2,618,225	12/17/03	15,536
				-----
				\$2,528,935

Forward currency contracts to sell at September 30, 2003  
(aggregate face value \$59,287,714)

	Market value	Aggregate face value	Delivery date	Unrealized appreciation/ (depreciation)
British Pound	\$7,362,196	\$7,154,238	12/17/03	\$ (207,958)
Canadian Dollar	9,736,218	9,462,387	12/17/03	(273,831)
Euro	26,169,133	24,416,724	12/17/03	(1,752,409)
Japanese Yen	1,612,567	1,613,486	12/17/03	919
New Zealand Dollar	9,226,829	8,850,632	12/17/03	(376,197)
Swedish Krona	8,518,827	7,790,247	12/17/03	(728,580)
				-----
				\$ (3,338,056)
				-----

Futures contracts outstanding at September 30, 2003

	Market value	Aggregate face value	Expiration date	Unrealized appreciation/ (depreciation)
3 Month Eurodollar (short)	\$33,939,375	\$33,830,516	Sep-04	\$ (108,859)
3 Month Eurodollar (long)	33,073,425	32,916,066	Sep-06	157,359
3 Month Eurodollar (short)	32,561,100	32,488,712	Jun-04	(72,388)
3 Month Eurodollar (long)	31,708,050	31,643,449	Jun-06	64,601
Euro-Bobl 5 yr (long)	20,996,536	20,495,009	Dec-03	501,527
Euro-Bund 10 yr (long)	21,050,688	20,461,065	Dec-03	589,623
Interest Rate Swap 10 yr (long)	1,683,750	1,623,879	Dec-03	59,871
Japanese Government Bond 10 yr (long)	11,043,602	10,916,117	Dec-03	127,485
US Treasury Bond 20 yr (long)	1,570,188	1,469,011	Dec-03	101,177
US Treasury Note 10 yr (long)	46,193,875	43,986,206	Dec-03	2,207,669
US Treasury Note 5 yr (short)	26,438,219	25,786,719	Dec-03	(651,500)
				-----
				\$2,976,565
				-----

TBA sales commitments at September 30, 2003  
(proceeds receivable \$5,710,309)

	Principal amount	Settlement date	Market value
GNMA, 5s, October 2033	\$5,773,000	10/22/03	\$5,783,824
-----			

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Interest rate swap contracts outstanding at September 30, 2003

	Notional amount	Termination date	Unreal apprecia
-----			
Agreement with Merrill Lynch Capital Services, Inc. dated November 17, 2000 to pay semi-annually the notional amount multiplied by the three month USD-LIBOR-BBA and receive the notional amount multiplied by 6.68%.	\$6,500,000	11/21/05	\$657
Agreement with Merrill Lynch Capital Services, Inc. dated September 27, 2002 to receive semi-annually the notional amount multiplied by the six month JPY-LIBOR-BBA and pay monthly the notional amount multiplied by 0.399%.	JPY 2,443,000,000	10/1/07	224
-----			\$881

Credit default contracts outstanding at September 30, 2003  
(premiums received \$260,184)

	Notional amount	Ma v
-----		
Agreement with Deutsche Bank effective July 18, 2003, maturing on September 20, 2008, to receive a premium equal to 9.795% times the notional amount. Upon a credit default event of Petroleos Mexicanos, the fund makes a payment of the proportional notional amount times the difference between the par value and the then-market value of Petroleos Mexicanos.	\$415,000	\$36
Agreement with Lehman Brothers Special Financing, Inc. effective July 18, 2003, maturing on September 20, 2008 to receive a premium equal to 10.02% times the notional amount. Upon a credit default event of Petroleos Mexicanos, the fund makes a payment of the proportional notional amount times the difference between the par value and the then-market value of Petroleos Mexicanos.	415,000	37
Agreement with Deutsche Bank effective September 9, 2003, maturing on September 20, 2013 to receive a premium equal to 21.44% times the notional amount. Upon a credit default event of Petroleos Mexicanos, 7.375% due 12/12/14 the fund makes a payment of the proportional notional amount times the difference between the par value and the then-market value of Petroleos Mexicanos.	830,000	172
-----		

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

Statement of assets and liabilities  
September 30, 2003

Assets

Investments in securities, at value, including \$608,709 of securities on loan (identified cost \$765,139,354) (Note 1)	\$763,299,658
Cash	224,602
Foreign currency (cost \$1,889,130) (Note 1)	1,953,945
Dividends, interest and other receivables	12,424,890
Receivable for securities sold	14,445,734
Receivable for variation margin (Note 1)	543,744
Receivable for open forward currency contracts (Note 1)	2,539,645
Receivable for open swap contracts (Note 1)	881,405
Receivable for closed forward currency contracts (Note 1)	644,261
Total assets	796,957,884

Liabilities

Distributions payable to shareholders	3,787,897
Payable for securities purchased	80,853,869
Payable for compensation of Manager (Note 2)	1,265,200
Payable for investor servicing and custodian fees (Note 2)	109,036
Payable for Trustee compensation and expenses (Note 2)	76,971
Payable for administrative services (Note 2)	859
Payable for open forward currency contracts (Note 1)	3,348,766
Payable for closed forward currency contracts (Note 1)	117,037
Credit default contracts outstanding, at value (premiums received \$260,184) (Note 1)	246,278
TBA sales commitments at value (proceeds receivable \$5,710,309) (Note 1)	5,783,824
Collateral on securities loaned, at value (Note 1)	628,900
Other accrued expenses	45,314

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Total liabilities	96,263,951
Net assets	\$700,693,933
Represented by	
Paid-in capital (Note 1)	\$837,942,450
Undistributed net investment income (Note 1)	7,010,795
Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(145,595,513)
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	1,336,201
Total -- Representing net assets applicable to capital shares outstanding	\$700,693,933
Computation of net asset value	
Net asset value per share (\$700,693,933 divided by 100,313,083 shares)	\$6.99

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

Statement of operations  
Year ended September 30, 2003

Investment income:

Interest (net of foreign tax of \$3,912)	\$51,677,854
Dividends	2,185,431
Securities lending	314
Total investment income	53,863,599

Expenses:

Compensation of Manager (Note 2)	4,821,015
Investor servicing and custodian fees (Note 2)	711,028
Trustee compensation and expenses (Note 2)	25,275
Administrative services (Note 2)	12,144
Other	327,855
Total expenses	5,897,317
Expense reduction (Note 2)	(19,936)
Net expenses	5,877,381
Net investment income	47,986,218

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Net realized gain on investments (Notes 1 and 3)	10,355,022
Net realized gain on swap contracts (Note 1)	653,321
Net realized loss on futures contracts (Note 1)	(2,069,538)
Net realized gain on foreign currency transactions (Note 1)	3,392,416
Net realized gain on credit default contracts (Note 1)	157,278
Net unrealized depreciation of assets and liabilities in foreign currencies during the year	(312,176)
Net unrealized appreciation of investments, futures contracts, swap contracts, credit default contracts and TBA sale commitments during the year	60,619,220
Net gain on investments	72,795,543
Net increase in net assets resulting from operations	\$120,781,761

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

Statement of changes in net assets

Increase (decrease) in net assets	Year ended September 30	
	2003	2002
Operations:		
Net investment income	\$47,986,218	\$52,092,366
Net realized gain (loss) on investments and foreign currency transactions	12,488,499	(50,122,603)
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	60,307,044	24,243,905
Net increase in net assets resulting from operations	120,781,761	26,213,668
Distributions to shareholders: (Note 1)		
From net investment income	(48,538,019)	(52,982,343)
From return of capital	--	(1,087,264)
Increase from issuance of common shares in connection with reinvestment of distributions	829,775	315,588
Total increase (decrease) in net assets	73,073,517	(27,540,351)
Net assets		

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Beginning of year	627,620,416	655,160,767
-----		
End of year (including undistributed net investment income of \$7,010,795 and distributions in excess of net investment income of \$5,846,674, respectively)	\$700,693,933	\$627,620,416
-----		
Number of fund shares		
-----		
Shares outstanding at beginning of year	100,182,745	100,133,127
-----		
Shares issued in connection with reinvestment of distributions	130,338	49,618
-----		
Shares outstanding at end of year	100,313,083	100,182,745
-----		

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

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

Per-share operating performance	Year ended September 30			
	2003	2002	2001	2000
-----				
Net asset value, beginning of period	\$6.26	\$6.54	\$7.13	\$7.57
-----				
Investment operations:				
-----				
From net investment income (a)	.48	.52	.58	.63
-----				
From net realized and unrealized loss on investments	.73	(.26)	(.57)	(.43)
-----				
Total from investment operations	1.21	.26	.01	.20
-----				
Less distributions:				
-----				
From net investment income	(.48)	(.53)	(.46)	(.64)
-----				
From return of capital	--	(.01)	(.14)	--
-----				
Total distributions	(.48)	(.54)	(.60)	(.64)
-----				
Net asset value, end of period	\$6.99	\$6.26	\$6.54	\$7.13
-----				
Market value, end of period	\$6.410	\$6.380	\$6.050	\$6.438
-----				
Total return at market value (%) (b)	8.35	14.81	3.06	10.72
-----				

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### Ratios and supplemental data

Net assets, end of period (in thousands)	\$700,694	\$627,620	\$655,161	\$713,894
Ratio of expenses to average net assets (%) (c)	.89	.87	.90	.87
Ratio of net investment income to average net assets (%)	7.22	7.97	8.50	8.60
Portfolio turnover (%)	141.60 (d)	193.33 (d)	111.45	116.71

\* Not annualized

- (a) Per share net investment income has been determined on the basis of weighted average number of shares outstanding during the period.
- (b) Total return does not reflect the effect of sales charges.
- (c) Includes amounts paid through expense offset arrangements (Note 2).
- (d) Portfolio turnover excludes certain treasury note transactions executed in connection with a short-term trading strategy.

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

### Notes to financial statements September 30, 2003

#### Note 1 Significant accounting policies

Putnam Master Intermediate Income Trust (the "fund") is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company. The fund's investment objective is to seek, with equal emphasis, high current income and relative stability of net asset value, by allocating its investments among the U.S. investment grade sector, high-yield sector and international sector.

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 Investments for which market quotations are readily available are valued at the last reported sales price on their principal exchange, or official closing price for certain markets. If no sales are reported -- as in the case of some securities traded over-the-counter -- a security is valued at its last reported bid price.

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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. For foreign investments, if trading or events occurring in other markets after the close of the principal exchange in which the securities are traded are expected to materially affect the value of the investments, then those investments are valued, taking into consideration these events, at their fair value following procedures approved by the Trustees. Such valuations and procedures are reviewed periodically by the Trustees. Securities quoted in foreign currencies are translated into U.S. dollars at the current exchange rate. Short-term investments having remaining maturities of 60 days or less are valued at amortized cost, which approximates fair value. Other investments, including restricted securities, are valued at fair value following procedures approved by the Trustees. Such valuations and procedures are reviewed periodically by the Trustees.

B) Joint trading account The fund may transfer uninvested cash balances, including cash collateral received under security lending arrangements, into a joint trading account along with the cash of other registered investment companies and certain other accounts managed by Putnam Investment Management, LLC ("Putnam Management"), the fund's manager, an indirect wholly-owned subsidiary of Putnam, LLC. These balances may be invested in issuers of high-grade short-term investments having maturities of up to 397 days for collateral received under security lending arrangements and up to 90 days for other cash investments.

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

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

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



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realized and unrealized gain or loss on investments. Net realized gains and losses on foreign currency transactions represent net realized exchange gains or losses on closed forward currency contracts, disposition of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions and the difference between the amount of investment income and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized appreciation and depreciation of assets and liabilities in foreign currencies arise from changes in the value of open forward currency contracts and assets and liabilities other than investments at the period end, resulting from changes in the exchange rate. Investments in foreign securities involve certain risks, including those related to economic instability, unfavorable political developments, and currency fluctuations, not present with domestic investments.

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

G) Futures and options contracts The fund may use futures and options contracts to hedge against changes in the values of securities the fund owns or expects to purchase. The fund may also write options on securities it owns or in which it may invest to increase its current returns. The potential risk to the fund is that the change in value of futures and options contracts may not correspond to the change in value of the hedged instruments. In addition, losses may arise from changes in the value of the underlying instruments, if there is an illiquid secondary market for the contracts, or if the counterparty to the contract is unable to perform. When the contract is closed, the fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. Realized gains and losses on purchased options are included in realized gains and losses on investment securities.

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

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

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

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

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

K) TBA sale commitments The fund may enter into TBA sale commitments to hedge its portfolio positions or to sell mortgage-backed securities it owns under delayed delivery arrangements. Proceeds of TBA sale commitments

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are not received until the contractual settlement date. During the time a TBA sale commitment is outstanding, equivalent deliverable securities, or an offsetting TBA purchase commitment deliverable on or before the sale commitment date, are held as "cover" for the transaction.

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

L) Security lending The fund may lend securities, through its agents, to qualified borrowers in order to earn additional income. The loans are collateralized by cash and/or securities in an amount at least equal to the market value of the securities loaned. The market value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. The risk of borrower default will be borne by the fund's agents; the fund will bear the risk of loss with respect to the investment of the cash collateral. Income from securities lending is included in investment income on the Statement of operations. At September 30, 2003, the value of securities loaned amounted to \$608,709. The fund received cash collateral of \$628,900 which is pooled with collateral of other Putnam funds into 36 issuers of high grade short-term investments.

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

At September 30, 2003, the fund had a capital loss carryover of \$139,616,926 available to the extent allowed by tax law to offset future capital gains, if any. The amount of the carryover and the expiration dates are:

Loss Carryover	Expiration
\$2,792,982	September 30, 2004
1,554,563	September 30, 2005
10,039,981	September 30, 2007
25,640,537	September 30, 2008
24,593,458	September 30, 2009
27,431,170	September 30, 2010
47,564,235	September 30, 2011

Pursuant to federal income tax regulations applicable to regulated investment companies, the fund has elected to defer to its fiscal year ending September 30, 2004, \$3,314,449 of losses recognized during the period November 1, 2002 to September 30, 2003.

N) Distributions to shareholders Distributions to shareholders from net

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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, the expiration of a capital loss carryover, dividends payable, defaulted bond interest, realized and unrealized gains and losses on certain futures contracts, market discount, and interest on payment-in-kind securities. Reclassifications are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. For the year ended September 30, 2003, the fund reclassified \$13,409,271 to increase undistributed net investment income and \$7,132,420 to decrease paid-in-capital, with an increase to accumulated net realized losses of \$6,276,851.

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

Unrealized appreciation	\$42,917,213
Unrealized depreciation	(46,984,073)
	-----
Net unrealized depreciation	(4,066,860)
Undistributed ordinary income	12,509,386
Capital loss carryforward	(139,616,926)
Post October loss	(3,314,449)
Cost for federal income tax purposes	\$767,366,518

### Note 2

Management fee, administrative services and other transactions

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

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

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

The fund has entered into an arrangement with PFTC whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the fund's expenses. For the year ended September 30, 2003, the fund's expenses were reduced by \$19,936 under these arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$1,144 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.

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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 Trustees compensation and expenses in the Statement of operations. Accrued pension liability is included in Payable for Trustees compensation and expenses in the Statement of assets and liabilities.

### Note 3

#### Purchases and sales of securities

During the year ended September 30, 2003, cost of purchases and proceeds from sales of investment securities other than U.S. government obligations and short-term investments aggregated \$961,981,975 and \$1,006,790,695, respectively. Purchases and sales of U.S. government obligations aggregated \$427,384,969 and \$425,917,066, respectively.

### Note 4

#### Regulatory matters and litigation

On November 13, 2003, Putnam Management agreed to entry of an order by the Securities and Exchange Commission in partial resolution of administrative and cease-and-desist proceedings initiated by the SEC on October 28, 2003 in connection with alleged excessive short-term trading by certain investment professionals. Under the order, Putnam Management will institute new employee trading restrictions and enhanced employee trading compliance, retain an independent compliance consultant, and take other remedial actions. Putnam Management neither admitted nor denied the order's findings that it willfully violated provisions of the securities laws. A civil monetary penalty and other monetary relief, if any, will be determined at a later date. Putnam Management, and not the investors in any Putnam fund, will bear all costs, including civil penalties and associated legal fees. Administrative proceedings initiated by the Commonwealth of Massachusetts on October 28, 2003 against Putnam Management in connection with alleged market timing activities by Putnam employees and by participants in some Putnam-administered 401(k) plans are pending. The SEC's and Commonwealth's allegations also serve as the general basis for numerous lawsuits, including purported class action lawsuits, filed against Putnam Management and certain related parties. Based on currently available information, Putnam Management believes that the pending actions are not likely to materially affect its ability to provide investment management services to its clients, including the Putnam funds.

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

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Federal tax information  
(Unaudited)

The fund has designated 3.03% of the distributions from net investment income as qualifying for the dividends received deduction for corporations.

For its tax year ended September 30, 2003, the fund hereby designates 2.19%, or the maximum amount allowable, of its net taxable income as qualified dividends taxed at individual net capital gain rates.

The Form 1099 you receive in January 2004 will show the tax status of all distributions paid to your account in calendar 2003.

Results of June 12, 2003 shareholder meeting  
(Unaudited)

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

	Votes for	Votes withheld
Jameson A. Baxter	92,175,160	2,589,781
Charles B. Curtis	92,192,830	2,572,112
John A. Hill	92,195,839	2,569,102
Ronald J. Jackson	92,221,055	2,543,887
Paul L. Joskow	92,182,800	2,582,141
Elizabeth T. Kennan	92,174,503	2,590,438
John H. Mullin, III	92,178,436	2,586,505
Robert E. Patterson	92,198,075	2,566,867
George Putnam, III	92,187,867	2,577,074
A.J.C. Smith	92,182,051	2,582,891
W. Thomas Stephens	92,166,247	2,598,694
W. Nicholas Thorndike	92,124,495	2,640,446

All tabulations are rounded to nearest whole number.

About the Trustees

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

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

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

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

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

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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).

Prior to May 1997, Mr. Curtis was Deputy Secretary of Energy. He served as Chairman of the Federal Energy Regulatory Commission from 1977 to 1981 and has held positions on the staff of the U.S. House of Representatives, the U.S. Treasury Department, and the Securities and Exchange Commission.

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

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

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

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

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

Mr. Jackson is a private investor.

Mr. Jackson is President of the Kathleen and Ronald J. Jackson Foundation (a charitable trust). He is also a member of the Board of Overseers of WGBH (a public television and radio station) as well as a member of the Board of Overseers of the Peabody Essex Museum.

Mr. Jackson is the former Chairman, President, and Chief Executive Officer of Fisher-Price, Inc. (a major toy manufacturer), from which he retired in 1993. He previously served as President and Chief Executive Officer of Stride-Rite, Inc. (a manufacturer and distributor of footwear) and of Kenner Parker Toys, Inc. (a major toy and game manufacturer). Mr. Jackson was President of Talbots, Inc. (a distributor of women's apparel) and has held financial and marketing positions with

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General Mills, Inc. and Parker Brothers (a toy and game company). Mr. Jackson is a graduate of the University of Michigan Business School.

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

Dr. Joskow is the Elizabeth and James Killian Professor of Economics and Management, and Director of the Center for Energy and Environmental 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). He also serves on the board of the Whitehead Institute for Biomedical Research (a non-profit research institution) and has been President of the Yale University Council since 1993. Prior to February 2002, he was a Director of State Farm Indemnity Company (an automobile insurance company) and prior to March 2000 he was a Director of New England Electric System (a public utility holding company).

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

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

Dr. Kennan is a partner in and Chairman of Cambus-Kenneth Bloodstock, LLC (cattle and thoroughbred horses). She is President Emeritus of Mount Holyoke College.

Dr. Kennan serves as a Trustee of Northeast Utilities and is a Director of Talbots, Inc. She has served as Director on a number of other boards, including Bell Atlantic, Chastain Real Estate, Shawmut Bank, Berkshire Life Insurance, and Kentucky Home Life Insurance. She is a Trustee of Centre College and of Midway College in Midway, Kentucky. She is also a member of The Trustees of Reservations. 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 Alex. Brown Realty, Inc., The Liberty Corporation (a broadcasting company), Progress Energy, Inc. (a utility company, formerly known as Carolina Power & Light), and Sonoco Products, Inc. (a packaging company). Mr. Mullin is Trustee Emeritus of Washington & Lee University, where he served as Chairman of the Investment Committee. Prior to May 2001, he was a Director of Graphic Packaging International Corp.



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Mr. Mullin also served as a Director of Dillon, Read & Co., Inc. until October 1997 and The Ryland Group, Inc. until January 1998. Mr. Mullin 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.

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

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

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

Mr. Stephens serves on a number of corporate boards.

Mr. Stephens serves as a Director of Xcel Energy Incorporated (a public utility company), TransCanada Pipelines Limited, Norske Canada, Inc. (a paper manufacturer), and Qwest Communications. Until 2003, Mr. Stephens was a Director of Mail-Well, Inc. (a diversified printing company). He served as Chairman of Mail-Well until 2001 and as CEO of MacMillan-Bloedel, Ltd. (a forest products company) until 1999.

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

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

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

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

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

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Fund, Inc. Mr. Thorndike is a graduate of Harvard College.

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

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

Mr. Putnam is a Director of The Boston Family Office, LLC (a registered investment advisor). He is a Trustee of St. Mark's School, Shore Country Day School, and until 2002 was a Trustee of the Sea Education Association.

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

A.J.C. Smith\* (4/13/34), Trustee since 1986

Mr. Smith is Chairman of Putnam Investments and a Director of Marsh & McLennan Companies, Inc.

Mr. Smith is also a Director of Trident Corp. (a limited partnership with over thirty institutional investors). He is also a Trustee of the Carnegie Hall Society, the Educational Broadcasting Corporation, and the National Museums of Scotland. He is Chairman of the Central Park Conservancy and a Member of the Board of Overseers of the Joan and Sanford I. Weill Graduate School of Medical Sciences of Cornell University. Prior to May 2000 and November 1999, Mr. Smith was Chairman and CEO, respectively, of Marsh & McLennan Companies, Inc.

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

As of September 30, 2003, there were 102 Putnam Funds.

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

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

### Officers

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

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

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Managing Director, Putnam Investments  
and Putnam Management

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

Senior Vice President, Putnam Investments and Putnam  
Management

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

Senior Managing Director, Putnam Investments

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

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

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

Managing Director, Putnam Investments

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

Senior Vice President, Putnam Investments

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

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

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

Senior Vice President, Putnam Investments

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

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

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

Clerk and Assistant Treasurer, The Putnam Funds

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

### Fund information

#### About Putnam Investments

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

#### Investment Manager

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

#### Marketing Services

Putnam Retail Management  
One Post Office Square  
Boston, MA 02109

#### Custodian

Putnam Fiduciary Trust Company

#### Legal Counsel

Ropes & Gray LLP

#### Independent Auditors

KPMG LLP

#### Trustees

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

#### Officers

George Putnam, III  
President

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

Patricia C. Flaherty  
Senior Vice President

Karnig H. Durgarian  
Vice President and Principal  
Executive Officer

Steven D. Krichmar  
Vice President and Principal  
Financial Officer

Michael T. Healy  
Assistant Treasurer and  
Principal Accounting Officer

Beth S. Mazor  
Vice President

Gordon H. Silver  
Vice President

Mark C. Trenchard  
Vice President and BSA  
Compliance Officer

William H. Woolverton  
Vice President and  
Chief Legal Officer

Judith Cohen  
Clerk and Assistant Treasurer

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

[LOGO OMITTED]

PUTNAM INVESTMENTS

The Putnam Funds  
One Post Office Square  
Boston, Massachusetts 02109

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Item 2. Code of Ethics:

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

Item 3. Audit Committee Financial Expert:

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

Item 4. Principal Accountant Fees and Services:

-----  
Not applicable

Items 5-6. [Reserved]

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

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Management Investment Companies:  
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Proxy Voting Guidelines of the Putnam Funds

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The proxy voting guidelines below summarize the Funds' positions on various issues of concern to investors, and give a general indication of how Fund portfolio securities will be voted on proposals dealing with a

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particular issue. The Funds' proxy voting service is instructed to vote all proxies relating to Fund portfolio securities in accordance with these guidelines, except as otherwise instructed by the Proxy Coordinator.

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

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

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

### I. Board-Approved Proposals

-----

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

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

-----

The board of directors has the important role of overseeing management and its performance on behalf of shareholders. The Funds' proxies will be voted for the election of the company's nominees for directors and for board-approved proposals on other matters relating to the board of directors (provided that such nominees and other matters have been approved by an independent nominating committee), except as follows:

\* The Funds will withhold votes for the entire board of directors if

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\* The board does not have a majority of independent directors; or

\* The board does not have nominating, audit and compensation committees composed solely of independent directors.

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

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

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

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

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

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

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

Commentary: Being a director of a company requires a significant time commitment to adequately prepare for and attend the company's board and committee meetings. Directors must be able to commit the time and 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



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withhold votes from such directors on a case-by-case basis where it appears that they may be unable to discharge their duties properly because of excessive commitments.

\* The Funds will withhold votes for any nominee for director of a public company (Company A) who is employed as a senior executive of another public company (Company B) if a director of Company B serves as a senior executive of Company A (commonly referred to as an "interlocking directorate").

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

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

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

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

### B. Executive Compensation

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

\* Except where the Funds are otherwise withholding votes for the entire board of directors, the Funds will vote for stock option plans which will result in an average annual dilution of 1.67% or less (including all equity-based plans).

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

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

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

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

#### C. Capitalization

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

\* The Funds will vote for proposals relating to the authorization of additional common stock (except where such proposals relate to a specific transaction).

\* The Funds will vote for proposals to effect stock splits (excluding reverse stock splits.)

\* The Funds will vote for proposals authorizing share repurchase programs.

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

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

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

\* The Funds will vote for mergers and reorganizations involving business

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combinations designed solely to reincorporate a company in Delaware.

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

### E. Anti-Takeover Measures

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

\* The Funds will vote on a case-by-case basis on proposals to ratify or approve shareholder rights plans (commonly referred to as "poison pills"); and

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

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

### F. Other Business Matters

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

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

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

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

Commentary: Charter and bylaw amendments and the transaction of other unidentified, substantive business at a shareholder meeting may directly affect shareholder rights and have a significant impact on shareholder value. As a result, the Funds do not view such items as routine business

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matters. Putnam Management's investment professionals and the Funds' proxy voting service may also bring to the Proxy Coordinator's attention company-specific items which they believe to be non-routine and warranting special consideration. Under these circumstances, the Funds will vote on a case-by-case basis.

### II. Shareholder Proposals

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

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

\* The Funds will vote for shareholder proposals to require shareholder approval of shareholder rights plans.

\* The Funds will vote for shareholder proposals that are consistent with the Fund's proxy voting guidelines for board-approved proposals.

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

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

### III. Voting Shares of Foreign Issuers

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

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\* The Funds will vote for shareholder proposals calling for a majority of the directors to be independent of management.

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

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

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

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

As adopted March 14, 2003

### Proxy Voting Procedures of the Putnam Funds

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#### The Role of the Funds' Trustees

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

#### The Role of the Proxy Voting Service

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The Funds have engaged an independent proxy voting service to assist in the voting of proxies. The proxy voting service is responsible for coordinating with the Funds' custodians to ensure that all proxy materials received by the custodians relating to the Funds' portfolio securities are processed in a timely fashion. To the extent applicable, the proxy voting service votes all proxies in accordance with the proxy

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voting guidelines established by the Trustees. The proxy voting service will refer proxy questions to the Proxy Coordinator (described below) for instructions under circumstances where: (1) the application of the proxy voting guidelines is unclear, (2) a particular proxy question is not covered by the guidelines, or (3) the guidelines call for specific instructions on a case-by-case basis. The proxy voting service is also requested to call to the Proxy Coordinator's attention specific proxy questions which, while governed by a guideline, appear to involve unusual or controversial issues. The Funds also utilize research services relating to proxy questions provided by the proxy voting service and by other firms.

### The Role of the Proxy Coordinator

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

### Voting Procedures for Referral Items

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

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

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questions that have been referred to Putnam Management's investment professionals, the voting recommendation and the Conflicts Report.

In some situations, the Proxy Coordinator, the Senior Vice President and/or the Executive Vice President may determine that a particular proxy question raises policy issues requiring consultation with the Chair of the Board Policy and Nominating Committee who, in turn, may decide to bring the particular proxy question to the Committee or the full board of Trustees for consideration.

### Conflicts of Interest

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

As adopted March 14, 2003

### Item 8. [Reserved]

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### Item 9. Controls and Procedures:

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(a) The registrant's principal executive officer and principal financial officers have concluded, based on their evaluation of the effectiveness of the design and operation of the registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report on Form N-CSR, that the design and operation of such procedures are effective to provide reasonable assurance that information required to be disclosed by the investment company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Commission's rules and forms.

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

### Item 10. Exhibits:

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(a) 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 an the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NAME OF REGISTRANT

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

Date: November 25, 2003

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

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

Date: November 25, 2003

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

Date: November 25, 2003

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

Date: November 25, 2003