

PUTNAM MANAGED HIGH YIELD TRUST  
Form DEF 14A  
September 09, 2005

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant / X /

Filed by a party other than the Registrant //

**Check the appropriate box:**

/ / Preliminary Proxy Statement

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14a-6(e) (2))

/ X / Definitive Proxy Statement

/ / Definitive Additional Materials

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**PUTNAM MANAGED HIGH YIELD TRUST**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement,  
if other than Registrant)

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(3) Filing Party:

(4) Date Filed:

**The proxy statement**

**PUTNAM MANAGED HIGH YIELD TRUST**

This proxy statement can help you decide how you want to vote on important issues relating to your Putnam fund. When you complete and sign your proxy ballot, the Trustees of the fund will vote on your behalf exactly as you have indicated. If you simply sign the proxy ballot, it will be voted in accordance with the Trustees' recommendations on page 6 of the proxy statement.

Please take a few moments and decide how you want to vote. When shareholders don't return their proxies in sufficient numbers, follow-up solicitations are required, which cost your fund money.

You can vote by returning your proxy ballots in the envelope provided. Or you can call our toll-free number, or go to the Internet. See your proxy ballot for the phone number and Internet address. If you have proxy related questions, please call 1-800-780-7316 or contact your financial advisor.

[PUTNAM INVESTMENTS LOGO]

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**PROXY CARD ENCLOSED**

If you have any questions, please contact us at 1-800-780-7316 or call your financial advisor.

### **A Message from the Chairman**

Dear Fellow Shareholder:

[photo of John A. Hill]

I am writing to ask for your vote on important matters affecting your investment in the Putnam funds. While you are, of course, welcome to join us at your fund's meeting, most shareholders cast their vote by filling out and signing the enclosed proxy card, by calling or by voting via the Internet. We are asking for your vote on the following matters:

#### **Fixing the number of Trustees at 12 and electing your fund's nominees for Trustees**

Although Trustees do not manage fund portfolios, they play an important role in protecting fund shareholders, and are responsible for approving the fees paid to the fund's investment adviser and its affiliates, reviewing overall fund expenses, selecting the fund's auditors, monitoring conflicts of interest, overseeing the fund's compliance with federal securities laws and voting proxies for the fund's portfolio securities.

Consistent with the 1940 Act and SEC rules, more than three-quarters of your fund's Trustees currently are independent of the fund and Putnam Investments. Your fund's Trustees have also in the past two years been at the forefront of reform efforts affecting the mutual fund industry, including ending the practice of directing fund brokerage commissions to brokers in connection with sales of fund shares, the establishment of broad-based redemption fees for open-end funds to discourage excessive short-term trading and other initiatives to reduce shareholder expenses and improve fund disclosures.

### **Authorizing your fund to engage in investment leverage through borrowing**

Your fund's Trustees believe that it is in the best interests of shareholders that your fund be able to take advantage of an array of investment strategies. Your fund is currently not permitted to engage in investment leverage strategies. The Trustees recommend that shareholders remove this prohibition by amending your fund's fundamental investment restriction relating to borrowing to permit the use of investment leverage.

Closed-end funds typically use investment leverage, including through borrowing, as a means to raise capital and increase yield. While Putnam Management has no current intention to use investment leverage on behalf of your fund, Putnam Management has advised the Trustees that it believes that, under certain market conditions, the use of investment leverage could benefit holders of the fund's common shares. As described in the Proxy Statement, there are risks associated with the use of investment leverage, and you should weigh these risks and the potential fund expenses associated with leverage strategies in making your decision.

### **Amending your fund's management contract primarily to permit compensation of the adviser for management of leveraged assets**

Consistent with their belief that the flexibility to use investment leverage may benefit fund shareholders, the Trustees recommend that Putnam Management be compensated for any future management of leveraged assets on the same basis as for non-leveraged assets. Since the fund's current management contract with Putnam Management would not permit the fund to pay Putnam Management fees on leveraged assets, even though leveraging the fund effectively increases the asset base managed by Putnam Management, the Trustees recommend that you vote in favor of the proposed amended management contract. As described in the Proxy Statement, the proposed amended contract would also contain a management fee reduction mechanism that would require Putnam Management to reimburse the fund if the costs of leverage exceed the fees the fund pays Putnam Management on leveraged assets.

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I'm sure that you, like most people, lead a busy life and are tempted to put this proxy aside for another day. Please don't. When shareholders do not vote their proxies, their fund may have to incur the expense of follow-up



solicitations. All shareholders benefit from the speedy return of proxies.

Your vote is important to us. We appreciate the time and consideration I am sure you will give these important matters. If you have questions about any of these proposals, please call a customer services representative at 1-800-780-7316 or contact your financial advisor.

Sincerely yours,

/s/ John A. Hill

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John A. Hill, Chairman

## **PUTNAM MANAGED HIGH YIELD TRUST**

### **Notice of Annual Meeting of Shareholders**

**This is the formal agenda for your fund's shareholder meeting. It tells you what proposals will be voted on and the time and place of the meeting, in the event you attend in person.**

To the Shareholders of Putnam Managed High Yield Trust:

The Annual Meeting of Shareholders of your fund will be held on October 28, 2005 at 11:00 a.m., Boston time, at the principal offices of the fund on the 8th floor of One Post Office Square, Boston, Massachusetts 02109, to consider the following:

1. Fixing the number of Trustees and electing your fund's nominees for Trustees. See page 8.
2. A proposal to amend the fund's fundamental investment restriction with respect to borrowing. See page 27.
3. A proposal to approve the Amended and Restated Management Contract between the fund and Putnam Investment Management, LLC. See page 30.

By Judith Cohen, Clerk, on behalf of the Trustees

John A. Hill, Chairman

George Putnam, III, President

Jameson A. Baxter

Charles B. Curtis

Myra R. Drucker

Charles E. Haldeman, Jr.

Paul L. Joskow

Elizabeth T. Kennan

John H. Mullin, III

Robert E. Patterson

W. Thomas Stephens

Richard B. Worley

**We urge you to mark, sign, date, and mail the enclosed proxy in the postage-paid envelope provided or record your voting instructions by telephone or via the Internet so that you will be represented at the meeting.**

September 2, 2005

### **Proxy Statement**

This document will give you the information you need to vote on the proposals. Much of the information is required under rules of the Securities and Exchange Commission ("SEC"); some of it is technical. If there is anything you don't understand, please contact us at our toll-free number, 1-877-780-7316, or call your financial advisor.

### **Who is asking for your vote?**

The enclosed proxy is solicited by the Trustees of Putnam Managed High Yield Trust for use at the Annual Meeting of Shareholders of the fund to be held on October 28, 2005, and, if your fund's meeting is adjourned, at any later meetings, for the purposes stated in the Notice of Annual Meeting (see previous page). The Notice of Annual Meeting, the proxy and the Proxy Statement are being mailed on or about September 2, 2005.

### **How do your fund's Trustees recommend that shareholders vote on these proposals?**

The Trustees recommend that you vote

1. FOR fixing the number of Trustees as proposed and electing your fund's nominees for Trustees;
2. FOR amending your fund's fundamental investment restriction concerning borrowing; and
3. FOR approving the Amended and Restated Management Contract between your fund and Putnam Investment Management, LLC.

## **Who is eligible to vote?**

Shareholders of record at the close of business on August 1, 2005 are entitled to be present and to vote at the meeting or any adjourned meeting.

Each share is entitled to one vote. Shares represented by your duly executed proxy will be voted in accordance with your instructions. If you sign the proxy, but don't fill in a vote, your shares will be voted in accordance with the Trustees' recommendations. If any other business is brought before your fund's meeting, your shares will be voted at the Trustees' discretion.

## **The Proposals**

### **I. ELECTION OF TRUSTEES**

#### **Who are the nominees for Trustees?**

The Board Policy and Nominating Committee of the Trustees of your fund makes recommendations concerning the nominees for Trustees of that fund. The Board Policy and Nominating Committee consists solely of Trustees who are not "interested persons" (as defined in the Investment Company Act of 1940, as amended (the 1940 Act )) of your fund or of Putnam Investment Management, LLC, your fund's investment manager ("Putnam Management"). Those Trustees who are not interested persons of your fund or Putnam Management are referred to as Independent Trustees throughout this Proxy Statement.

The Board Policy and Nominating Committee of the Trustees of your fund recommends that the number of Trustees be fixed at 12 and that you vote for the election of the nominees described in the following pages. Each nominee is currently a Trustee of your fund and of the other Putnam funds.

The nominees for Trustees and their backgrounds are shown in the following pages. This information includes each nominee's name, date of birth, principal occupation(s) during the past 5 years, and other information about the nominee's professional background, including other directorships the nominee holds. Each Trustee oversees all of the Putnam funds and serves until the election and qualification of his or her successor, or until he or she sooner dies, resigns or is removed. The address of all of the Trustees is One Post Office Square, Boston, Massachusetts 02109. At December 31, 2004, there were 110 Putnam funds.

**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.

[Photo]

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

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

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

[Photo]

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

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

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

**Myra R. Drucker** (1/16/48),

Trustee since 2004

[Photo]

Ms. Drucker is a Vice Chair of the Board of Trustees of Sarah Lawrence College, a Trustee of Commonfund (a not-for-profit firm specializing in asset management for educational endowments and foundations) and a member of the Investment Committee of the Kresge Foundation (a charitable trust).

Ms. Drucker is an ex-officio member of the New York Stock Exchange (NYSE) Pension Managers Advisory Committee, having served as Chair for seven years and a member of the Executive Committee of the Committee on Investment of Employee Benefit Assets. She is Chair of the Advisory Board of Hamilton Lane Advisors (an investment management firm) and a member of the Advisory Board of RCM (an investment management firm). Until August 31, 2004, Ms. Drucker was Managing Director and a member of the Board of Directors of General Motors Asset Management and Chief Investment Officer of General Motors Trust Bank. Ms. Drucker also served as a member of the NYSE Corporate Accountability and Listing Standards Committee and the NYSE/NASD IPO Advisory Committee.

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

Temple University.

**John A. Hill** (1/31/42),

Trustee since 1985 and Chairman since 2000

[Photo]

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

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

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

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

[Photo]

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

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

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

[Photo]

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

Dr. Kennan served as Chairman and is now Lead Director of Northeast Utilities. Until 2005, she was a Director of Talbots, Inc. She has served as Director on a number of other boards, including Bell Atlantic, Chastain Real Estate, Shawmut Bank, Berkshire Life Insurance and Kentucky Home Life Insurance. She is a Trustee of the National Trust for Historic Preservation, of Centre College and of Midway College in Midway, Kentucky. She is also a member of The Trustees of Reservations. Dr. Kennan has served on the oversight committee of the Folger Shakespeare Library, as President of Five Colleges Incorporated, as a Trustee of Notre Dame University, and is active in various educational and civic associations.



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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

[Photo]

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

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

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

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

[Photo]

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

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

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

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

[Photo]

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

Mr. Stephens serves as a Director of TransCanada Pipelines Limited. Until 2004, Mr. Stephens was a Director of Xcel Energy Incorporated (a public utility company), Quest Communications, and Norske Canada, Inc. (a paper manufacturer). Until 2003, Mr. Stephens was a Director of Mail-Well, Inc. (a diversified printing company). He served as Chairman of Mail-Well until 2001 and as CEO of MacMillan-Bloedel, Ltd. (a forest products company) until 1999.

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

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

[Photo]

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

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

Prior to joining Permit Capital LLC in 2002, Mr. Worley served as Chief Strategic Officer of Morgan Stanley Investment Management. He previously served as President, Chief Executive Officer and Chief Investment Officer of Morgan Stanley Dean Witter Investment Management and as a Managing Director of Morgan Stanley, a financial services firm. Mr. Worley also was the Chairman of Miller Anderson & Sherrerd, an investment management firm. Mr. Worley holds a B.S. degree from University of Tennessee and pursued graduate studies in economics at the University of Texas.

### Interested Trustees

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

[Photo]

Mr. Haldeman is President and Chief Executive Officer of Putnam, LLC ( Putnam Investments ). Mr. Haldeman is a member of Putnam Investments Executive Board of Directors and Advisory Council.

Prior to November 2003, Mr. Haldeman served as Co-Head of Putnam Investments Investment Division. Prior to joining Putnam Investments in 2002, Mr. Haldeman held executive positions in the investment management industry. Mr. Haldeman previously served as Chief Executive Officer of Delaware Investments and President & Chief Operating Officer of United Asset Management. Mr. Haldeman was also a partner and director of Cooke & Bieler, Inc. (an investment management firm).

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

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

[Photo]

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 adviser to private funds). Mr. Putnam founded the New Generation companies in 1986.

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

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

\*Nominees who are or may be deemed to be "interested persons" (as defined in the 1940 Act) of the fund, Putnam Management, Putnam Retail Management Limited Partnership ( Putnam Retail Management ) or Marsh & McLennan Companies, Inc., the parent company of Putnam Investments and its affiliated companies. Messrs. Putnam, III and Haldeman are deemed interested persons by virtue of their positions as officers of the funds, Putnam Management or Putnam Retail Management and as shareholders of Marsh & McLennan Companies, Inc. Mr. Haldeman is the President and Chief Executive Officer of Putnam Investments. Mr. Putnam, III is the President of your fund and each of the other Putnam funds. The balance of the nominees are not "interested persons."

All the nominees were elected by the shareholders of your fund on October 14, 2004.

The 12 nominees for Trustees who receive the greatest number of votes will be elected as Trustees of your fund. The current Trustees serve until their successors are elected and qualified. Each of the nominees has agreed to serve as a Trustee if elected. If any of the nominees is unavailable for election at the time of the meeting, which is not anticipated, the Trustees may vote for other nominees at their discretion, or the Trustees may fix the number of Trustees at fewer than 12 for your fund.

### **What are the Trustees' responsibilities?**

Your fund's Trustees are responsible for the general oversight of your fund's affairs and for assuring that your fund is managed in the best interests of its shareholders. The Trustees regularly review your fund's investment performance as well as the quality of other services provided to your fund and its shareholders by Putnam Management and its affiliates, including administration, custody, and shareholder servicing. At least annually, the Trustees review and evaluate the fees and operating expenses paid by your fund for these services and negotiate changes that they deem appropriate. In carrying out these responsibilities, the Trustees are assisted by an independent administrative staff and

by your fund's auditors, independent counsel and other experts as appropriate, selected by and responsible to the Trustees.

Consistent with the 1940 Act and SEC rules, at least 75% of the trustees of your fund are required not to be interested persons (as defined in the 1940 Act) of your fund or your fund's investment manager. These independent trustees must vote separately to approve all financial arrangements and other agreements with your fund's investment manager and other affiliated parties. The role of independent trustees has been characterized as that of a watchdog charged with oversight to protect shareholders' interests against overreaching and abuse by those who are in a position to control or influence a fund. Your fund's Independent Trustees meet regularly as a group in executive session. Ten of the 12 nominees for election as Trustee would be Independent Trustees.

**Board committees.** Your fund's Trustees have determined that the efficient conduct of your fund's affairs makes it desirable to delegate responsibility for certain specific matters to committees of the board. Certain committees (the Executive Committee, Distributions Committee, and Audit and Pricing Committee) are authorized to act for the Trustees as specified in their charters. The other committees review and evaluate matters specified in their charters and make recommendations to the Trustees as they deem appropriate. Each committee may utilize the resources of your fund's independent staff, counsel and auditors as well as other experts. The committees meet as often as necessary, either in conjunction with regular meetings of the Trustees or otherwise. The membership and chairperson of each committee are appointed by the Trustees upon recommendation of the Board Policy and Nominating Committee.

**Audit and Pricing Committee.** The Audit and Pricing Committee provides oversight on matters relating to the preparation of the funds' financial statements, compliance matters and Code of Ethics issues. This oversight is discharged by regularly meeting with management and the funds' independent registered public accounting firms and keeping current on industry developments. Duties of this Committee also include the review and evaluation of all matters and relationships pertaining to the funds' independent registered public accounting firms, including their independence. The members of the Committee include only Independent Trustees who are not interested persons of your fund or Putnam Management. Each member of the Committee is independent as defined in Sections 303.01(B)(2)(a) and (3) of the listing standards of the New York Stock Exchange. The Trustees have adopted a written charter for the Committee. The Audit and Pricing Committee's charter is available on the fund's web site at [https://content.putnam.com/individual\\_investor/pdf/committee\\_charter.pdf](https://content.putnam.com/individual_investor/pdf/committee_charter.pdf). Printed copies of the charter are available free of charge upon request by calling 1-800-225-1581. The Committee also reviews your fund's policies and procedures for achieving accurate and timely pricing of the fund shares, including oversight of fair value determinations of individual securities made by Putnam Management or other designated agents of your fund. The Committee oversees compliance by money market funds with Rule 2a-7, interfund transactions pursuant to Rule 17a-7, and the correction of occasional pricing errors. The Committee also receives reports regarding the liquidity of portfolio securities. The Committee currently consists of Dr. Joskow (Chairperson), Ms. Drucker and Messrs. Patterson, Stephens and Worley.

**Board Policy and Nominating Committee.** The Board Policy and Nominating Committee reviews policy matters pertaining to the operations of the Board of Trustees and its Committees, the compensation of the Trustees and their staff and the conduct of legal affairs for the funds. The Committee also oversees the voting of proxies associated with portfolio investments of the Putnam funds, with the goal of ensuring that these proxies are voted in the best interest of

the funds' shareholders.

The Committee evaluates and recommends all candidates for election as Trustees and recommends the appointment of members and chairs of each board committee. The Committee also identifies prospective nominees for election as trustee by considering individuals that come to its attention through current Trustees, Putnam Management or shareholders. Candidates properly submitted by shareholders (as described below) will be considered and evaluated on the same basis as candidates recommended by other sources. The Committee may, but is not required to, engage a third-party professional search firm to assist it in identifying and evaluating potential nominees.

When evaluating a potential candidate for membership on the Board of Trustees, the Committee considers the skills and characteristics that it feels would most benefit the Putnam funds at the time the evaluation is made. The Committee may take into account a wide variety of attributes in considering potential trustee candidates, including, but not limited to: (i) availability and commitment of a candidate to attend meetings, (ii) other board experience, (iii) relevant industry and related experience, (iv) educational background, (v) financial expertise, (vi) an assessment of the candidate's ability, judgment and expertise, (vii) an assessment of the perceived needs of the Board of Trustees and its committees at that point in time and (viii) overall Board of Trustees composition. In connection with this evaluation, the Committee will determine whether to interview prospective nominees, and, if warranted, one or more members of the Committee, and other Trustees and representatives of the funds, as appropriate, will interview prospective nominees in person or by telephone. Once this evaluation is completed, the Committee recommends such candidates as it determines appropriate to the Independent Trustees for nomination, and the Independent Trustees select the nominees after considering the recommendation of the Committee.

The Committee will consider nominees for trustee recommended by shareholders of a fund provided shareholders submit their recommendations by the date disclosed in the paragraph entitled "Date for receipt of shareholders proposals for the next annual meeting," and provided the shareholders' recommendations otherwise comply with applicable securities laws, including Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "1934 Act").

The Committee consists only of Independent Trustees. The Committee currently consists of Dr. Kennan (Chairperson), Ms. Baxter and Messrs. Hill, Mullin and Patterson.

**Brokerage and Custody Committee.** The Brokerage and Custody Committee reviews the policies and procedures of the funds regarding the execution of portfolio transactions for the funds, including policies regarding the allocation of brokerage commissions and soft dollar credits. The Committee reviews periodic reports regarding the funds' activities involving derivative securities, and reviews and evaluates matters relating to the funds' custody arrangements. The Committee currently consists of Messrs. Mullin (Chairperson) and Curtis, Ms. Baxter and Dr. Kennan.

**Communication, Service and Marketing Committee.** This Committee examines the quality, cost and levels of services provided to the shareholders of the Putnam funds. The Committee also reviews communications sent from

the funds to their shareholders, including shareholder reports, prospectuses, newsletters and other materials. In addition, the Committee oversees marketing and sales communications of the funds' distributor. The Committee currently consists of Messrs. Putnam, III (Chairperson) and Stephens and Dr. Joskow.

**Contract Committee.** The Contract Committee reviews and evaluates, at least annually, all arrangements pertaining to (i) the engagement of Putnam Management and its affiliates to provide services to the funds, (ii) the expenditure of the funds' assets for distribution purposes pursuant to the Distribution Plans of the open-end funds and (iii) the engagement of other persons to provide material services to the funds, including in particular those instances where the cost of services is shared between the funds and Putnam Management and its affiliates or where Putnam Management or its affiliates have a material interest. The Committee recommends to the Trustees such changes in arrangements as it deems appropriate. After review and evaluation, the Committee recommends to the Trustees the proposed organization of new fund products and proposed structural changes to existing funds. Its oversight of the closed-end funds includes (i) investment performance, (ii) trading activity, (iii) determinations with respect to conversion of a closed-end fund to an open-end fund, (iv) disclosure practices and (v) the use and benefits of leverage. The Committee consists only of Independent Trustees. The Committee currently consists of Ms. Baxter (Chairperson), Messrs. Curtis and Mullin and Dr. Kennan.

**Distributions Committee.** This Committee oversees all fund distributions and approves the amount and timing of distributions paid by all the funds to the shareholders when the Trustees are not in session. The Committee also meets regularly with representatives of Putnam Management and its affiliates to review distribution levels and the funds' distribution policies. The Committee currently consists of Messrs. Patterson (Chairperson) and Putnam, III and Dr. Joskow.

**Executive Committee.** The functions of the Executive Committee are twofold. The first is to ensure that the funds' business may be conducted at times when it is not feasible to convene a meeting of the Trustees or for the Trustees to act by written consent. The Committee may exercise any or all of the power and authority of the Trustees when the Trustees are not in session. The second is to establish annual and ongoing goals, objectives and priorities for the Board of Trustees and to ensure coordination of all efforts between the Trustees and Putnam Management and its affiliates on behalf of the shareholders of the Putnam funds. The Committee currently consists of Messrs. Hill (Chairman) and Putnam, III, Dr. Joskow and Ms. Baxter.

**Investment Oversight Committees.** These Committees regularly meet with investment personnel of Putnam Management to review the investment performance and strategies of the Putnam funds in light of their stated investment objectives and policies. Each such Committee will, among its duties, identify any compliance issues that are unique to the category of funds under its review and work with the appropriate board committees to ensure that any such issues are properly addressed. Investment Oversight Committee A currently consists of Meses. Drucker (Chairperson) and Baxter and Mr. Putnam, III. Investment Oversight Committee B currently consists of Messrs. Curtis (Chairperson), Hill and Stephens. Investment Committee C currently consists of Messrs. Mullin (Chairperson) and Patterson and Dr. Kennan. Investment Oversight Committee D currently consists of Mr. Worley (Chairperson) and Dr. Joskow.

**How large a stake do the Trustees and nominees have in the Putnam family of funds?**

The Trustees allocate their investments among the Putnam funds based on their own investment needs. The table below shows the number of shares beneficially owned by each nominee for Trustee and the value of each nominee's holdings in the fund and in all of the Putnam funds as of June 30, 2005. As a group, the Trustees owned shares of the Putnam funds valued at approximately \$49 million as of June 30, 2005.

**Putnam Managed High Yield Trust**

<b>Name of Nominee</b>	<b>Dollar Range of Putnam Managed High Yield Trust Shares Owned</b>	<b>Shares Beneficially Owned</b>	<b>Aggregate Dollar Range of Shares Held in all of the Putnam Funds</b>
Jameson A. Baxter	\$1 \$10,000	811.589	over \$100,000
Charles B. Curtis	\$1 \$10,000	127.051	over \$100,000
Myra R. Drucker	\$1 \$10,000	100	\$50,001 - \$100,000
Charles E. Haldeman, Jr.	\$1 \$10,000	390	over \$100,000
John A. Hill	\$1 \$10,000	239.913	over \$100,000
Paul L. Joskow	\$1 \$10,000	100	over \$100,000
Elizabeth T. Kennan	\$1 \$10,000	201.3	over \$100,000
John H. Mullin, III	\$1 \$10,000	117.367	over \$100,000
Robert E. Patterson	\$1 \$10,000	200	over \$100,000
George Putnam, III	\$1 \$10,000	500	over \$100,000
W. Thomas Stephens	\$1 \$10,000	183.419	over \$100,000
Richard B. Worley	\$1 \$10,000	100	over \$100,000

At June 30, 2005, the Trustees and officers of Putnam Managed High Yield Trust as a group owned less than 1% of the outstanding shares of such fund on that date.

**What are some of the ways in which the Trustees represent shareholder interests?**

Among other ways, the Trustees seek to represent shareholder interests:



Ø by carefully reviewing your fund's investment performance on an individual basis with your fund's investment team;

Ø by carefully reviewing the quality of the various other services provided to the funds and their shareholders by Putnam Management and its affiliates;

Ø by discussing with senior management of Putnam Management steps being taken to address any performance deficiencies;

Ø by reviewing in depth the fees paid by the fund and by negotiating with Putnam Management to ensure that such fees remain reasonable and competitive with those of comparable funds, while at the same time providing Putnam Management sufficient resources to continue to provide high quality services in the future;

Ø by reviewing brokerage costs and fees, allocations among brokers, soft dollar expenditures and similar expenses of the fund;

Ø by monitoring potential conflicts between the fund and Putnam Management and its affiliates to ensure that the fund continues to be managed in the best interests of their shareholders; and

Ø by monitoring potential conflicts among funds managed by Putnam to ensure that shareholders continue to realize the benefits of participation in a large and diverse family of funds.

#### **How can shareholders communicate with the Trustees?**

The Board of Trustees provides a process for shareholders to send communications to the Trustees. Shareholders may direct communications to the Board of Trustees as a whole or to specified individual Trustees by submitting them in writing to the following address:

The Putnam Funds

Attention: Board of Trustees or any specified Trustee(s)

One Post Office Square

Boston, Massachusetts 02109

The written communication must include the shareholder's name, be signed by the shareholder, refer to the Putnam fund(s) in which the shareholder holds shares and include the class and number of shares held by the shareholder as of a recent date.

The Office of the Trustees will respond to all correspondence sent to Trustees; however, due to the volume of correspondence, all communications are not sent directly to the Trustees. The correspondence is reviewed, summarized and presented to Trustees on a periodic basis.

### **How often do the Trustees meet?**

The Trustees meet each month (except August) over a two-day period to review the operations of your fund and of the other Putnam funds. A portion of these meetings is devoted to meetings of various committees of the board that focus on particular matters. Each Trustee generally attends at least two formal committee meetings during each regular meeting of the Trustees. In addition, the Trustees meet in small groups with Chief Investment Officers, Portfolio Leaders and Portfolio Members to review recent performance and the current investment climate for selected funds. These meetings ensure that the fund's performance is reviewed in detail at least twice a year. During 2004, the average Trustee participated in approximately 65 committee and board meetings. The Contract Committee typically meets on several additional occasions during the year to carry out its responsibilities. Other committees, including the Executive Committee, may also meet on special occasions as the need arises. During the fund's last fiscal year, Mr. Stephens attended fewer than 75% (73.4%) of the total number of meetings of the full board and of committees on which he serves. The number of times each committee met during your fund's last fiscal year is shown in the table below:

Fiscal year ended May 31, 2005

Audit and Pricing Committee	26
Board Policy and Nominating Committee	11
Brokerage and Custody Committee	6
Communication, Service and Marketing Committee	17
Contract Committee	16
Distributions Committee	8
Executive Committee	1
Investment Oversight Committees	39

Your fund does not have a policy with respect to Trustee attendance at shareholder meetings. Your fund's last annual meeting was held while the Trustees were conducting meetings of the Board and its committees. Although not all of your fund's Trustees attended the annual meeting, Mr. Putnam, III, a Trustee and the President of your fund, presided at the meeting. The Trustees were also represented at the meeting by their staff and were available in the event that any material issues had arisen.

**What are the Trustees paid for their services?**

Each Independent Trustee of your fund receives a fee for his or her services. Each Independent Trustee also receives fees for serving as Trustee of the other Putnam funds. Each Trustee of the fund receives an annual fee and an additional meeting fee for each Trustee meeting attended. Independent Trustees who serve on board committees receive additional fees for attendance at certain committee meetings and for special services rendered in that connection. Mr. Putnam, III, who is not an Independent Trustee, also receives the foregoing fees for his services as Trustee. All of the current Independent Trustees and Mr. Putnam, III are Trustees of all the Putnam funds and each receive fees for their services from the fund.

The Trustees periodically review their fees to assure that such fees continue to be appropriate in light of their responsibilities as well as in relation to fees paid to trustees of other mutual fund complexes. The Board Policy and Nominating Committee, which consists solely of Independent Trustees, estimates that committee and Trustee meeting time, together with the appropriate preparation, requires the equivalent of at least three business days per Trustee meeting. The following table shows the fees paid to each Trustee by your fund for its most recent fiscal year and the fees paid to each Trustee by all of the Putnam funds during calendar year 2004:

## COMPENSATION TABLE

Trustees/Year First Elected by Shareholders	Aggregate compensation from the fund(1)	Retirement benefits accrued as part of fund expenses	Estimated annual benefits from all Putnam funds upon retirement(2)	Total compensation from all Putnam funds(3)(4)
Jameson A. Baxter/1994(5)	\$774	\$233	\$100,000	\$218,950
Charles B. Curtis/2001	757	397	\$100,000	\$244,250
Myra R. Drucker/2004 (6)	568	N/A	N/A	\$33,780
Charles E. Haldeman, Jr./2004 (6)	0	N/A	N/A	\$0
John A. Hill/1985(5)(7)	1,180	304	\$200,000	\$458,626
Ronald J. Jackson/1996(5)(8)	754	255	\$100,000	\$224,000
Paul L. Joskow/1997(5)(7)	748	224	\$100,000	\$294,500
Elizabeth T. Kennan/1992	759	303	\$100,000	\$221,500
John H. Mullin, III/1997(5)	768	268	\$100,000	\$216,200
Robert E. Patterson/1984	736	164	\$100,000	\$217,750
George Putnam, III/1984(7)	916	144	\$125,000	\$262,500
W. Thomas Stephens/1997(5)	722	260	\$100,000	\$228,250
W. Nicholas Thorndike/1992(9)	24	345	\$105,783	\$114,500
Richard B. Worley/2004 (6)	568	N/A	N/A	\$33,780

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- (1) Includes an annual retainer and an attendance fee for each meeting attended.
- (2) Assumes that each Trustee retires at the normal retirement date. For Trustees who are not within three years of retirement, estimated benefits for each Trustee are based on Trustee fee rates in effect during calendar 2004. For Mr. Thorndike, the annual benefits equal the actual benefits he is currently receiving under the Retirement Plan for Trustees of the Putnam funds.
- (3) As of December 31, 2004, there were 110 funds in the Putnam family. For Mr. Hill, amounts shown also include compensation for service as Chairman of TH Lee, Putnam Emerging Opportunities Portfolio, a closed-end fund advised by an affiliate of Putnam Management.
- (4) Includes amounts (ranging from \$5,000 to \$90,000 per Trustee) for which the Putnam funds were reimbursed by Putnam Management for special Board and committee meetings and additional time spent on behalf of the Putnam funds in connection with certain regulatory and other matters relating to alleged improper trading by certain Putnam Management employees and participants in certain 401(k) plans administered by Putnam Fiduciary Trust Company.
- 5) Certain Trustees are also owed compensation pursuant to a Trustee Compensation Deferral Plan. As of May 31, 2005, the total amounts of deferred compensation payable by the fund, including income earned on such amounts, to these Trustees were:  
  
Ms. Baxter-\$782; Mr. Hill-\$2,933; Mr. Jackson-\$1,495; Mr. Joskow-\$922; Mr. Mullin-\$895; and Mr. Stephens-\$171.
- (6) Ms. Drucker and Messrs. Haldeman and Worley were first elected to the Board of Trustees on October 14, 2004.
- (7) Includes additional compensation to Messrs. Hill and Putnam, III and Dr. Joskow for service as Chairman of the Trustees, President of the Funds and Chairman of the Audit and Pricing Committee, respectively.
- (8) Mr. Jackson retired from the Board of Trustees of the Putnam funds on June 10, 2005.
- (9) Mr. Thorndike retired from the Board of Trustees of the Putnam funds on June 30, 2004.

Under a Retirement Plan for Trustees of the Putnam funds (the "Plan"), each Trustee who retires with at least five years of service as a Trustee of the funds is entitled to receive an annual retirement benefit equal to one-half of the average annual compensation paid to such Trustee for the last three years of service prior to retirement. This retirement benefit is payable during a Trustee's lifetime, beginning the year following retirement, for a number of years equal to such Trustee's years of service. A death benefit, also available under the Plan, ensures that the Trustee and his or her beneficiaries will receive benefit payments for the lesser of an aggregate period of (i) ten years or (ii) such Trustee's total years of service.

The Plan Administrator (currently the Board Policy and Nominating Committee) may terminate or amend the Plan at any time, but no termination or amendment will result in a reduction in the amount of benefits (i) currently being paid to a Trustee at the time of such termination or amendment, or (ii) to which a current Trustee would have been entitled had he or she retired immediately prior to such termination or amendment. The Trustees have terminated the Plan with respect to any Trustee first elected to the board after 2003.

2. A PROPOSAL TO AMEND THE FUND'S FUNDAMENTAL INVESTMENT RESTRICTION CONCERNING BORROWING TO PERMIT THE USE OF INVESTMENT LEVERAGE

What is this proposal?

The fund currently has a fundamental investment restriction that provides that the fund may not:

[b]orrow money in excess of 10% of the value (taken at the lower of cost or current value) of its total assets (not including the amount borrowed) at the time the borrowing is made, and then only