

PUTNAM PREMIER INCOME TRUST
Form N-30D
September 17, 2002

Putnam
Premier
Income
Trust

ANNUAL REPORT ON PERFORMANCE AND OUTLOOK

7-31-02

[GRAPHIC OMITTED: WATCH]

[SCALE LOGO OMITTED]

FROM THE TRUSTEES

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

Dear Fellow Shareholder:

Thanks to some astute decisions by the management team and the strong performance of U.S. government securities, Putnam Premier Income Trust was able to post favorable results within its peer group for the fiscal year that ended on July 31, 2002. The generally troubled non-U.S. and high-yield securities in the portfolio detracted from performance. On the following pages, the team provides a full discussion of the reasons behind this performance and then presents its view of prospects for the months ahead.

Management believes there are reasons for optimism as the U.S. economic recovery continues to exhibit signs that it is still very much alive, albeit not as robust as some investors might desire. Productivity continues to improve, interest rates remain low, and inflation is still virtually nonexistent, all positive signs for fixed-income securities. As non-U.S. markets also begin to recover, the managers are confident that the prospects for securities in these areas will similarly improve.

Meanwhile, as your fund begins a new fiscal year, the team continues to monitor these market and economic trends closely and will adjust the portfolio to seek maximum advantage as opportunities present themselves.

Respectfully yours,

/S/ JOHN A. HILL

/S/ GEORGE PUTNAM, III

John A. Hill
Chairman of the Trustees
September 18, 2002

George Putnam, III
President of the Funds

REPORT FROM FUND MANAGEMENT

This fund is managed by the
Putnam Core Fixed-Income Team

During the past fiscal year, Putnam Premier Income Trust endured one of the most volatile environments in recent memory for both stocks and bonds. A series of unforeseeable events during the period resulted in a flight to quality that benefited higher-quality bonds at the expense of riskier asset classes, such as high yield. Since your fund holds approximately 40%-50% of its assets in high-yield bonds, the fund

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underperformed its benchmark index, the Lehman Government Bond Index, which consists entirely of government securities. Despite modest absolute returns at net asset value, the fund's relative performance was strong, coming in ahead of its Lipper category average for the 12-month period (see page 7 for Lipper details). The fund's higher return at market price reflected investors' growing preference for fixed-income securities and pursuit of higher yields.

Total return for 12 months ended 7/31/02

NAV	Market price
1.44%	4.44%

Past performance does not indicate future results. Performance based on market prices for the shares will vary from performance based on the portfolio's net asset value. Performance information for longer periods begins on page 7.

* 2001 WAS HEAVILY INFLUENCED BY SEPTEMBER 11

Financial markets endured one of the most challenging periods in decades, as the world struggled to overcome the damage caused by terrorism, recession, geopolitical unrest, and accounting scandals involving several large U.S. firms. These factors created an environment of uncertainty, causing fixed-income investors to favor higher-quality investments. As a result, bond sectors with greater risk, such as high yield, struggled during the year. On the other hand, government bonds benefited from the flight to quality and turned in strong returns.

[GRAPHIC OMITTED: horizontal bar chart SECTOR ALLOCATIONS]

SECTOR ALLOCATIONS*

High yield	45.4%
U.S. investment grade	32.0%
Foreign	22.6%

Footnote reads:

*Based on net assets as of 7/31/02. Holdings will vary over time.

Just as the U.S. economy was starting to gain some momentum in the late summer of 2001, the September 11 tragedy sent global markets into a tailspin. Economic activity dropped off sharply and a recession became imminent. Central banks in many developed countries intervened by cutting interest rates further in an effort to boost economic growth, and the Federal Reserve Board lowered the federal funds rate to a historical low of 1.75%, where it stood as this report was being written. Yield curves steepened dramatically as short-term yields plunged because of large-scale monetary and fiscal stimulus as well as a flight to quality among investors. Government bonds emerged as the top performers during this time.

"As the stock market continues to take an awful beating, investors have rediscovered the simple virtues of bonds."

-- Barron's, July 29, 2002

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While the high-yield market suffered from its lack of liquidity and dependence on economic recovery immediately after September 11, high-yield bonds staged an impressive rally in the final months of 2001. Optimism set in again as the New Year approached and investors applauded signs of a stronger-than-expected economic rebound. Amid widespread references to the shortest and mildest U.S. recession in history, investors developed a renewed appetite for risk that helped lift returns in the high-yield market at the expense of the safer government sectors.

* 2002 BROUGHT MORE TURMOIL, BUT DECLINING RATES HELPED BONDS

Despite an earlier-than-expected turnaround in macroeconomic data, investor confidence rapidly eroded following the intensification of corporate accounting scandals. Poor first-quarter earnings, mounting investigations by the Securities and Exchange Commission, and fears of terrorism contributed to increasing investor risk aversion. As a result, government bonds advanced at the expense of riskier asset classes. Equity and credit markets came under pressure as investors became more skeptical about corporate accounting practices. Within the fixed-income universe, corporate bonds -- both investment grade and high-yield -- performed poorly compared to the higher-quality sectors.

Fund Profile

Putnam Premier Income Trust is designed for investors seeking a high level of current income. The fund maintains flexibility across three main sectors -- government and agencies, high-yield corporate, and international -- to seek maximum current income without undue risk to capital. The fund is designed for investors seeking a higher level of income who can accept a moderately higher level of risk.

As with the high-yield sector, emerging-market bond returns fell victim to the volatility. Initially, corporate scandals in the U.S. boosted investor interest in these bonds, especially in light of the improving macroeconomic environment. However, the second wave of corporate scandals in the U.S. lowered growth expectations worldwide and hurt the outlook for emerging-market bonds.

Your fund's performance was negatively affected by its high-yield holdings, but the management team was able to mitigate the damage by keeping the high-yield holdings well diversified and by having minimal exposure to large-scale defaults. The fund's emerging-markets holdings also hurt performance, but the fund benefited from our low exposure to Argentina and from solid performance in Russian bonds. The fund's international holdings within developed countries -- especially Germany and the U.K. -- made positive contributions overall and were enhanced by the decline in the U.S. dollar against its major counterparts.

* SLOW TO MODERATE GROWTH FOR THE REST OF 2002

We still believe that a modest economic recovery, combined with low inflation, should continue through the second half of 2002. However, given the recent trend of weaker-than-expected economic data, growth appears likely to be somewhat sluggish. We believe personal consumption should decelerate this year, moreover, due to a negative wealth effect and the lack of further tax cuts. Furthermore, we believe growth in business investment spending will outpace consumer spending by the end of the year and continue its gradual improvement throughout 2003.

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[GRAPHIC OMITTED: TOP SECTOR HOLDINGS]

TOP SECTOR HOLDINGS*

Top three high-yield holdings

HMH Properties, Inc.
company guaranty, Series B, 7.875%, 2008

Echostar Broadband Corp.
senior notes, 10.375%, 2007

Pioneer Natural Resources Co.
company guaranty, 9.675%, 2010

Top three U.S. government holdings

U.S. Treasury Bonds
7.5%, 11/15/16

Federal National Mortgage Association
pass-through certificates, TBA, 6.5%,
8/1/32

U.S. Treasury Bonds
6.25%, 5/15/30

Top three international holdings

Sweden (Government of) bonds,
Series 1044, 3.5%, 2006

Sweden (Government of) bonds,
Series 1037, 8%, 2007

United Kingdom Treasury bonds,
8.5%, 2005

Footnote reads:

*These holdings represent 12.4% of the fund's net assets as of 7/31/02.
Portfolio holdings will vary over time.

The high-yield market remains bifurcated, with controversy riddling four industry sectors: cable, wireline telecommunications, wireless telecommunications, and utilities. In our view, the rest of the high-yield market is in good shape from a fundamental standpoint. Poor returns in these four troubled sectors have weighed on the market heavily, and we now view high-yield bonds somewhat more cautiously than we had at the beginning of the year. While the technical environment remains supportive -- with low absolute yields, a steep yield curve, positive net cash inflows and a manageable level of supply -- secular issues in the poor-performing sectors may continue to thwart returns.

We continue to find value in international developed markets, while we remain neutral on emerging markets because of rising political concerns in specific countries. As global investors await further evidence that economic recovery remains on track, we will continue to maintain the fund's diversity.

In general, the relative weakness in the global economies bodes well for the higher-quality bond sectors, as this type of environment should keep

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inflation and interest rates stable. We expect that the lower-quality, higher-risk sectors will benefit more as economic growth improves. As always, we will continue to take advantage of opportunities as they arise while maintaining strict risk controls. The fund's diversity remains its strength, as weak performance in some sectors can be offset by stronger performance in others. As active managers, we will continue to seek out securities with positive fundamentals and attractive valuations, as well as market sectors that appear to offer potential for outperformance, while seeking to pare back in those markets and sectors that may be facing difficulties.

The views expressed here are exclusively those of Putnam Management. They are not meant as investment advice. Although the described holdings were viewed favorably as of 7/31/02, there is no guarantee the fund will continue to hold these securities in the future. International investing involves certain risks, such as currency fluctuations, economic instability, and political developments. Lower-rated bonds may offer higher yields in return for more risk. Government securities guarantee principal and interest; mutual funds that invest in these securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk.

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

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.

PERFORMANCE SUMMARY

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This section provides information about your fund's performance, which should always be considered in light of its investment strategy.

TOTAL RETURN FOR PERIODS ENDED 7/31/02

	NAV	Market price
1 year	1.44%	4.44%
5 years	11.41	12.02
Annual average	2.18	2.30
10 years	80.54	67.83
Annual average	6.09	5.31
Life of fund (since 2/29/88)		
Annual average	7.48	6.72

COMPARATIVE INDEX RETURNS FOR PERIODS ENDED 7/31/02

	Lehman Government Bond Index	SSB Non-U.S. World Govt. Bond Index	CSFB High Yield Index	Cons price
1 year	8.60%	13.51%	-2.36%	1.
5 years	43.62	19.87	5.58	12.
Annual average	7.51	3.69	1.09	2.
10 years	101.84	69.10	83.83	28.
Annual average	7.28	5.39	6.28	2.
Life of fund (since 2/29/88)				
Annual average	8.17	6.43	7.88	3.

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. Performance does not reflect taxes on reinvested distributions.

LIPPER INFORMATION:

The average annualized return for the 12 funds in the Lipper Flexible Income Funds category over the 12 months ended 7/31/02 was -3.23%. Over the 5- and 10-year periods ended 7/31/02, annualized returns for the category were 1.08% and 5.58%, respectively.

PRICE AND DISTRIBUTION INFORMATION 12 MONTHS ENDED 7/31/02

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Distributions (number)	12	
Income	\$0.5294	
Capital gains	--	
Return of capital 2	0.0106	
Total	\$0.5400	
Share value:	NAV	Market price
7/31/01	\$6.68	\$6.29
7/31/02	6.22	6.03
Current return (end of period)		
Current dividend rate 1	8.68%	8.96%

1 Income portion of most recent distribution, annualized and divided by NAV or market price at end of period.

2 See page 55.

TOTAL RETURN FOR PERIODS ENDED 6/30/02 (most recent calendar quarter)

	NAV	Market price
1 year	4.17%	8.06%
5 years	15.57	19.93
Annual average	2.94	3.70
10 years	86.36	85.15
Annual average	6.42	6.35
Life of fund (since 2/29/88)		
Annual average	7.64	6.99

Past performance does not indicate future results. More recent returns may be more or less than those shown. They do not take into account any adjustment for taxes payable on reinvested distributions. Investment returns, net asset value, and market price will fluctuate so that an investor's shares when sold may be worth more or less than their original cost.

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

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liabilities and the net assets allocated to remarketed preferred shares, divided by the number of outstanding common shares.

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

COMPARATIVE BENCHMARKS

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

Credit Suisse First Boston (CSFB) High Yield Index* is an unmanaged index of high-yield debt securities.

Salomon Smith Barney (SSB) Non-U.S. World Government Bond Index* is an unmanaged list of bonds issued by 10 countries.

Consumer price index (CPI) is a commonly used measure of inflation; it does not represent an investment return.

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.

*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.

A GUIDE TO THE FINANCIAL STATEMENTS

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

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

Statement of assets and liabilities shows how the fund's net assets and share price are determined. All investment and noninvestment assets are added together. Any unpaid expenses and other liabilities are subtracted from this total. The result is divided by the number of shares to determine the net asset value per share, which is calculated separately for each class of shares. (For funds with preferred shares, the amount subtracted from total assets includes the net assets allocated to remarketed preferred shares.)

Statement of operations shows the fund's net investment gain or loss. This is done by first adding up all the fund's earnings -- from dividends and interest income -- and subtracting its operating expenses to determine net investment income (or loss). Then, any net gain or loss the fund realized on the sales of its holdings -- as well as any unrealized gains or losses over the period -- is added to or subtracted from the net investment result to determine the fund's net gain or loss for the fiscal year.

Statement of changes in net assets shows how the fund's net assets were affected by distributions to shareholders and by changes in the number

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

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

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Trustees and Shareholders
Putnam Premier Income Trust

We have audited the accompanying statement of assets and liabilities of Putnam Premier Income Trust, including the fund's portfolio, as of July 31, 2002, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended and financial highlights for each of the years in the four-year 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 July 31, 2002 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Putnam Premier Income Trust as of July 31, 2002, the results of its operations for the year then ended, and changes in its net assets for each of the years in the two-year period then ended and financial highlights for each of the years in the four-year period then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Boston, Massachusetts
September 9, 2002

THE FUND'S PORTFOLIO
July 31, 2002

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CORPORATE BONDS AND NOTES (48.0%) (a) PRINCIPAL AMOUNT

Advertising and Marketing Services (0.1%)

\$1,188,235 Interact Operating Co. notes 14s, 2003 (PIK)
585,000 Lamar Media Corp. company guaranty 9 5/8s, 2006
420,000 Lamar Media Corp. sr. sub. notes 9 1/4s, 2007

Aerospace and Defense (1.1%)

748,125 Alliant Techsystems, Inc. bank term loan FRN Ser. C,
4 1/8s, 2009 (acquired 5/7/02, cost \$748,125) (RES)
120,000 Argo-Tech Corp. company guaranty Ser. D, 8 5/8s, 2007
1,735,000 Argo-Tech Corp. 144A company guaranty 8 5/8s, 2007
900,000 BE Aerospace, Inc. sr. sub. notes 9 1/2s, 2008
1,230,000 BE Aerospace, Inc. sr. sub. notes Ser. B, 8s, 2008
1,310,000 Decrane Aircraft Holdings Co. company guaranty
Ser. B, 12s, 2008
1,030,000 Hexcel Corp. sr. sub. notes 9 3/4s, 2009
1,310,000 L-3 Communications Corp. sr. sub. notes 8 1/2s, 2008
1,000,000 L-3 Communications Corp. Structured Notes 5.7s, 2009
(Issued by COUNTS Trust, Series 2001-5)
570,000 Moog, Inc. sr. sub. notes Ser. B, 10s, 2006
679,164 United Defense Industries, Inc. bank term loan FRN
4.59s, 2009 (acquired various dates 10/19/01 to 7/1/02,
cost \$679,286) (RES)

Agriculture (0.2%)

1,620,000 Premium Standard Farms, Inc. sr. notes 9 1/4s, 2011

Airlines (0.7%)

100,000 Air Canada Corp. sr. notes 10 1/4s, 2011 (Canada)
1,390,000 Airbus Industries sinking fund 144A notes Ser. D, 12.266s, 2020
1,360,000 Calair, LLC/Calair Capital Corp. company guaranty 8 1/8s, 2008
450,000 Continental Airlines, Inc. pass-through certificates Ser. D,
7.568s, 2006
550,000 Delta Air Lines, Inc. pass-through certificates Ser. 00-1,
Class C, 7.779s, 2005
390,000 Delta Air Lines, Inc. pass-through certificates Ser. C, 7.779s, 2012
330,000 Northwest Airlines, Inc. company guaranty 8 3/8s, 2004
770,000 Northwest Airlines, Inc. company guaranty 7 5/8s, 2005
840,000 Northwest Airlines, Inc. sr. notes 9 7/8s, 2007
368,769 NWA Trust sr. notes Ser. A, 9 1/4s, 2012
780,000 US Air, Inc. pass-through certificates Ser. 93A3, 10 3/8s, 2013

Automotive (1.2%)

484,072 Collins & Aikman Products, Inc. bank term loan FRN
Ser. B, 7s, 2005 (acquired 12/20/01, cost \$479,232) (RES)
1,120,000 Collins & Aikman Products, Inc. company guaranty
11 1/2s, 2006
1,100,000 Collins & Aikman Products, Inc. company guaranty

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10 3/4s, 2011
 875,000 Dana Corp. notes 9s, 2011
 160,000 Dana Corp. notes 7s, 2029
 490,000 Dana Corp. notes 6 1/4s, 2004
 255,000 Dana Corp. 144A sr. notes 10 1/8s, 2010
 360,000 Delco Remy International, Inc. company guaranty 11s, 2009
 150,000 Delco Remy International, Inc. company guaranty 10 5/8s, 2006
 100,000 Delco Remy International, Inc. sr. notes 8 5/8s, 2007
 620,000 Dura Operating Corp. company guaranty Ser. B, 8 5/8s, 2012
 1,300,000 Dura Operating Corp. company guaranty Ser. D, 9s, 2009
 730,000 Exide Corp. sr. notes 10s, 2005 (In default) (NON)
 200,000 Federal Mogul Corp. notes 7 7/8s, 2010 (In default) (NON)
 910,000 Federal Mogul Corp. notes 7 3/4s, 2006 (In default) (NON)
 260,000 Ford Motor Credit Corp. notes 7 3/8s, 2009
 350,000 Hayes Lemmerz International, Inc. 144A company
 guaranty 11 7/8s, 2006 (In default) (NON)
 700,000 Lear Corp. company guaranty Ser. B, 8.11s, 2009
 1,160,000 Lear Corp. company guaranty Ser. B, 7.96s, 2005
 150,000 Lear Corp. sr. notes 8 1/8s, 2008
 350,000 Lear Corp. Structured Notes 8.46s (Issued by STEERS
 Credit Linked Trust Series 2001) (acquired 5/17/01,
 cost \$350,000) 2006 (RES)
 368,000 Tenneco Automotive, Inc. company guaranty Ser. B,
 11 5/8s, 2009

Banking (1.2%)

700,000 Chevy Chase Savings Bank, Inc. sub. debs. 9 1/4s, 2005
 850,000 Colonial Capital II 144A company guaranty 8.92s, 2027
 110,000 Dime Capital Trust I bank guaranty Ser. A, 9.33s, 2027
 1,500,000 GS Escrow Corp. sr. notes 7 1/8s, 2005
 165,000 North Fork Capital Trust I company guaranty 8.7s, 2026
 DKK 15,313,059 Nykredit mtge. 6s, 2032 (Denmark)
 \$160,000 Ocwen Financial Corp. notes 11 7/8s, 2003
 115,000 Peoples Heritage Capital Trust company guaranty
 Ser. B, 9.06s, 2027
 715,000 Provident Capital Trust company guaranty 8.6s, 2026
 2,980,000 Sovereign Bancorp, Inc. sr. notes 10 1/2s, 2006
 750,000 Veridian Corp. bank term loan FRN Ser. B, 5.09s, 2006
 (acquired various dates 5/9/02 to 5/14/02, cost \$755,250) (RES)
 505,000 Webster Capital Trust I 144A bonds 9.36s, 2027

Beverage (0.3%)

210,000 Constellation Brands, Inc. company guaranty 8 1/2s, 2009
 860,000 Constellation Brands, Inc. company guaranty Ser. B, 8s, 2008
 1,190,000 Constellation Brands, Inc. sr. sub. notes Ser. B, 8 1/8s, 2012

Broadcasting (3.2%)

1,440,000 Acme Television company guaranty 10 7/8s, 2004
 920,000 Benedek Communications Corp. sr. disc. notes 13 1/4s,
 2006 (In default) (NON)
 310,000 British Sky Broadcasting PLC company guaranty 8.2s,
 2009 (United Kingdom)
 2,320,000 British Sky Broadcasting PLC company guaranty 6 7/8s,

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2009 (United Kingdom)

2,200,000 Chancellor Media Corp. company guaranty 8s, 2008

240,000 Cumulus Media, Inc. bank term loan FRN Ser. B, 4 7/8s, 2007 (acquired 3/20/02, cost \$240,000) (RES)

3,586,000 Diva Systems Corp. sr. disc. notes stepped-coupon Ser. B, zero % (12 5/8s, 3/1/03), 2008 (In default) (NON) (STP)

4,490,000 Echostar Broadband Corp. sr. notes 10 3/8s, 2007

1,430,000 Echostar DBS Corp. sr. notes 9 3/8s, 2009

2,130,000 Echostar DBS Corp. 144A sr. notes 9 1/8s, 2009

600,000 Emmis Communications Corp. bank term loan FRN 4 3/8s, 2009 (acquired 6/20/02, cost \$599,250) (RES)

200,000 Emmis Communications Corp. company guaranty Ser. B, 8 1/8s, 2009

433,000 Emmis Communications Corp. sr. disc. notes stepped-coupon zero % (12 1/2s, 3/15/06), 2011 (STP)

270,000 Fox/Liberty Networks, LLC sr. disc. notes stepped-coupon zero % (9 3/4s, 8/15/02), 2007 (STP)

1,120,000 Fox/Liberty Networks, LLC sr. notes 8 7/8s, 2007

10,000 Granite Broadcasting Corp. sr. sub. notes 10 3/8s, 2005

790,000 Granite Broadcasting Corp. sr. sub. notes 9 3/8s, 2005

960,000 Granite Broadcasting Corp. sr. sub. notes 8 7/8s, 2008

85,000 Knology Holdings, Inc. sr. disc. notes stepped-coupon zero % (11 7/8s, 10/15/02), 2007 (STP)

1,740,000 LIN Holdings Corp. sr. disc. notes stepped-coupon zero % (10s, 3/1/03), 2008 (STP)

170,000 LIN Holdings Corp. sr. disc. notes stepped-coupon zero % (10s, 3/1/03), 2008 (STP)

510,000 Pegasus Satellite sr. notes 12 3/8s, 2006

2,658,731 Quorum Broadcast Holdings, LLC notes stepped-coupon zero % (15s, 5/15/06), 2009 (acquired 5/15/01, cost \$1,056,491) (RES) (STP)

300,000 Radio One, Inc. company guaranty Ser. B, 8 7/8s, 2011

502,000 RCN Corp. sr. disc. notes stepped-coupon Ser. B, zero % (9.8s, 2/15/03), 2008 (STP)

450,000 Sinclair Broadcast Group, Inc. bank term loan FRN Ser. B, 4 1/8s, 2010 (acquired 7/12/02, cost \$450,000) (RES)

1,370,000 Sinclair Broadcast Group, Inc. company guaranty 9s, 2007

440,000 Sinclair Broadcast Group, Inc. company guaranty 8 3/4s, 2011

100,000 Sinclair Broadcast Group, Inc. sr. sub. notes 8 3/4s, 2007

2,080,000 XM Satellite Radio Holdings, Inc. sec. notes 14s, 2010

2,250,000 Young Broadcasting, Inc. company guaranty 10s, 2011

166,000 Young Broadcasting, Inc. company guaranty Ser. B, 8 3/4s, 2007

Building Materials (0.3%)

390,000 Atrium Companies, Inc. company guaranty Ser. B, 10 1/2s, 2009

450,000 Building Materials Corp. company guaranty 8s, 2008

1,230,000 Dayton Superior Corp. company guaranty 13s, 2009

1,750,000 Owens Corning bonds 7 1/2s, 2018 (In default) (NON)

380,000 Owens Corning notes 7 1/2s, 2005 (In default) (NON)

Cable Television (1.3%)

110,000 Adelphia Communications Corp. notes Ser. B, 9 7/8s, 2005 (In default) (NON)

560,000 Adelphia Communications Corp. sr. notes 10 7/8s, 2010 (In default) (NON)

440,000 Adelphia Communications Corp. sr. notes 10 1/4s,

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2011 (In default) (NON)
 20,000 Adelphia Communications Corp. sr. notes 9 3/8s,
 2009 (In default) (NON)
 50,000 Adelphia Communications Corp. sr. notes 7 7/8s,
 2009 (In default) (NON)
 1,680,000 Adelphia Communications Corp. sr. notes Ser. B, 7 3/4s,
 2009 (In default) (NON)
 1,120,000 Century Cable Holdings bank term loan FRN 6 3/4s, 2009
 (acquired various dates 5/22/02 to 6/11/02, cost \$980,400) (RES)
 450,000 Charter Communications Holdings, LLC bank term loan
 FRN Ser. B, 4.61s, 2008 (acquired 10/22/01, cost \$439,875) (RES)
 1,130,000 Charter Communications Holdings, LLC sr. notes 11 1/8s, 2011
 590,000 Charter Communications Holdings, LLC sr. notes 10 3/4s, 2009
 520,000 Charter Communications Holdings, LLC/Capital Corp. sr. disc.
 notes stepped-coupon zero % (12 1/8s, 1/15/07), 2012 (STP)
 2,310,000 Charter Communications Holdings, LLC/Capital Corp. sr. disc.
 notes stepped-coupon zero % (11 3/4s, 5/15/06), 2011 (STP)
 580,000 Charter Communications Holdings, LLC/Capital Corp. sr. disc.
 notes stepped-coupon zero % (11 3/4s, 1/15/05), 2010 (STP)
 440,000 Charter Communications Holdings, LLC/Capital Corp. sr.
 notes 10s, 2011
 710,000 Charter Communications Holdings, LLC/Capital Corp. sr.
 notes 10s, 2009
 520,000 Charter Communications Holdings, LLC/Capital Corp. sr.
 notes 9 5/8s, 2009
 30,000 Charter Communications Holdings, LLC/Capital Corp. sr.
 notes 8 5/8s, 2009
 130,000 Charter Communications Holdings, LLC/Capital Corp. sr.
 notes 8 1/4s, 2007
 680,000 CSC Holdings, Inc. debs. 7 5/8s, 2018
 410,000 CSC Holdings, Inc. sr. notes 7 7/8s, 2007
 1,605,000 CSC Holdings, Inc. sr. notes Ser. B, 7 5/8s, 2011
 3,225,000 Diamond Cable Communications PLC sr. disc. notes
 10 3/4s, 2007 (United Kingdom) (In default) (NON)
 330,000 Diamond Cable Communications PLC sr. disc. notes
 13 1/4s, 2004 (United Kingdom) (In default) (NON)
 1,340,000 Diamond Cable Communications PLC sr. disc. notes
 11 3/4s, 2005 (United Kingdom) (In default) (NON)
 330,000 Insight Communications Company, Inc. sr. disc. notes
 stepped-coupon zero % (12 1/4s, 2/15/06), 2011 (STP)
 210,000 Insight Midwest LP/Insight Capital, Inc. bank term loan
 FRN 5.063s, 2009 (acquired 11/5/01, cost \$209,606) (RES)
 969,000 International Cabletel, Inc. sr. disc. notes 11 1/2s, 2006
 (In default) (NON)
 680,000 NTL Communications Corp. sr. notes stepped-coupon
 Ser. B, zero % (12 3/8s, 10/1/03), 2008 (In default) (NON) (STP)
 480,000 NTL, Inc. sr. notes Ser. A, 12 3/4s, 2005 (In default) (NON)
 100,000 NTL, Inc. sr. notes Ser. B, 10s, 2007 (In default) (NON)
 190,000 Olympus Cable bank term loan FRN Ser. B, 6 3/4s, 2010
 (acquired 6/20/02, cost \$165,585) (RES)
 560,000 ONO Finance PLC sr. notes 14s, 2011 (United Kingdom)
 250,000 ONO Finance PLC sr. notes 13s, 2009 (United Kingdom)
 780,000 Rogers Cablesystems, Ltd. sr. notes Ser. B, 10s, 2005 (Canada)
 910,000 Rogers Cablesystems, Ltd. sr. sub. notes 8.8s, 2007 (Canada)
 1,840,000 TeleWest Communications PLC debs. 11s, 2007
 (United Kingdom)
 300,000 TeleWest Communications PLC debs. 9 5/8s, 2006
 (United Kingdom)
 360,000 TeleWest Communications PLC Structured Notes
 10 7/8s, 2005 (issued by DLJ International Capital)
 (United Kingdom)
 1,880,000 United Pan-Europe NV sr. disc. notes 12 1/2s,

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2009 (Netherlands) (In default) (NON)
3,170,000 United Pan-Europe NV sr. disc. notes stepped-coupon
zero % (13 3/4s, 2/1/05), 2010 (Netherlands) (STP)

Chemicals (2.8%)

1,180,000 Acetex Corp. sr. notes 10 7/8s, 2009 (Canada)
260,000 Airgas, Inc. company guaranty 9 1/8s, 2011
880,000 Applied Extrusion Technologies, Inc. company guaranty
Ser. B, 10 3/4s, 2011
1,960,000 ARCO Chemical Co. debs. 9.8s, 2020
1,360,000 Avecia Group PLC company guaranty 11s, 2009
(United Kingdom)
740,000 Compass Minerals Group, Inc. company guaranty 10s, 2011
2,280,000 Equistar Chemicals LP/Equistar Funding Corp. company
guaranty 10 1/8s, 2008
370,000 Ferro Corp. sr. notes 9 1/8s, 2009
240,000 Georgia Gulf Corp. company guaranty 10 3/8s, 2007
2,010,000 Hercules, Inc. company guaranty 11 1/8s, 2007
190,000 Huntsman Corp. bank term loan FRN Ser. B, 5.11s, 2004
(acquired 7/17/02, cost \$164,825) (RES)
330,000 Huntsman Corp. bank term loan FRN Ser. C, 5.381s, 2005
(acquired various dates 3/6/02 to 7/17/02, cost \$270,625) (RES)
333,969 Huntsman Corp. bank term loan FRN Ser. L, 5.881s, 2002
(acquired various dates 3/1/02 to 3/28/02, cost \$245,216) (RES)
2,155,000 Huntsman ICI Chemicals, Inc. company guaranty 10 1/8s, 2009
1,420,000 Huntsman ICI Holdings sr. disc. notes zero %, 2009
500,000 IMC Global, Inc. company guaranty Ser. B, 11 1/4s, 2011
650,000 IMC Global, Inc. company guaranty Ser. B, 10 7/8s, 2008
1,590,000 ISP Chemco, Inc. company guaranty Ser. B, 10 1/4s, 2011
260,000 Lyondell Chemical Co. bonds 11 1/8s, 2012
790,000 Lyondell Chemical Co. notes Ser. A, 9 5/8s, 2007
1,040,000 Lyondell Chemical Co. sr. sub. notes 10 7/8s, 2009
310,000 Messer Griesheim Holdings AG sr. notes 10 3/8s,
2011 (Germany)
500,000 Millenium America, Inc. company guaranty 9 1/4s, 2008
320,000 Millenium America, Inc. company guaranty 7s, 2006
530,000 Millenium America, Inc. 144A sr. notes 9 1/4s, 2008
630,000 Noveon, Inc. company guaranty Ser. B, 11s, 2011
1,390,000 OM Group, Inc. company guaranty 9 1/4s, 2011
609,379 PCI Chemicals Canada sec. sr. notes 10s, 2008 (Canada)
203,126 Pioneer Companies, Inc. sec. FRN 5.355s, 2006
330,000 Polymer Group, Inc. company guaranty Ser. B, 9s,
2007 (In default) (NON)
160,000 Polymer Group, Inc. company guaranty Ser. B, 8 3/4s,
2008 (In default) (NON)
1,210,000 Royster-Clark, Inc. 1st mtge. 10 1/4s, 2009
1,085,000 Sterling Chemicals Holdings sr. disc. notes 13 1/2s,
2008 (In default) (NON)
740,000 Sterling Chemicals, Inc. company guaranty Ser. B,
12 3/8s, 2006 (In default) (NON)
70,000 Texas Petrochemical Corp. sr. sub. notes 11 1/8s, 2006
280,000 Texas Petrochemical Corp. sr. sub. notes Ser. B, 11 1/8s, 2006

Commercial and Consumer Services (0.2%)

315,200 Coinmach Corp. bank term loan FRN Ser. B, 4.951s, 2009
(acquired 1/31/02, cost \$314,806) (RES)

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1,920,000 Coinmach Corp. 144A sr. notes 9s, 2010

Communications Equipment (0.3%)

100,000 Lucent Technologies, Inc. debs. 6 1/2s, 2028
3,360,000 Lucent Technologies, Inc. debs. 6.45s, 2029
1,460,000 Nortel Networks Corp. notes 6 1/8s, 2006 (Canada)
208,982 Telex Communications Group, Inc. sr. sub. notes zero %, 2006 (In default) (NON)

Computers (0.1%)

300,000 Seagate Technology Holdings bank term loan FRN Ser. B, 3.938s, 2007 (acquired 5/9/02, cost \$300,000) (RES)
870,000 Seagate Technology Holdings 144A sr. notes 8s, 2009

Conglomerates (0.3%)

3,210,000 Tyco International Group SA company guaranty 6 3/8s, 2006 (Luxembourg)

Construction (0.2%)

850,000 Better Minerals & Aggregates Co. company guaranty 13s, 2009
590,000 Nortek, Inc. sr. notes Ser. B, 8 7/8s, 2008
120,000 Nortek, Inc. sr. sub. notes Ser. B, 9 7/8s, 2011
460,000 Nortek, Inc. 144A sr. notes Ser. B, 9 1/8s, 2007

Consumer (0.5%)

753,830 Derby Cycle Corp. (The) sr. notes 10s, 2008 (In default) (NON)
2,042,070 Derby Cycle Corp. (The) sr. notes 9 3/8s, 2008 (In default) (NON)
740,000 Icon Health & Fitness 144A sr. sub. notes 11 1/4s, 2012
375,000 Jostens, Inc. bank term loan FRN Ser. C, 4.61s, 2009 (acquired 7/30/02, cost \$375,000) (RES)
1,230,000 Jostens, Inc. sr. sub. notes 12 3/4s, 2010
2,330,000 Samsonite Corp. sr. sub. notes 10 3/4s, 2008

Consumer Finance (0.1%)

400,000 Consec Finance Trust III, Inc. bonds 8.796s, 2027
3,566,000 Finova Group, Inc. notes 7 1/2s, 2009

Consumer Goods (0.5%)

580,000 Armkel, LLC/Armkel Finance sr. sub. notes 9 1/2s, 2009
770,000 Berry Plastics Corp. 144A sr. sub. notes 10 3/4s, 2012
290,000 French Fragrances, Inc. company guaranty Ser. D, 10 3/8s, 2007
220,000 French Fragrances, Inc. sr. notes Ser. B, 10 3/8s, 2007

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40,000 Iron Age Holdings Corp. sr. disc. notes stepped-coupon zero % (12 1/8s, 5/1/03), 2009 (STP)
300,000 Playtex Products, Inc. bank term loan FRN 4.109s, 2009 (acquired 6/3/02, cost \$300,000) (RES)
760,000 Playtex Products, Inc. company guaranty 9 3/8s, 2011
370,000 Revlon Consumer Products sr. notes 9s, 2006
360,000 Revlon Consumer Products sr. notes 8 1/8s, 2006
540,000 Revlon Consumer Products sr. sub. notes 8 5/8s, 2008
670,000 Scotts Co. (The) company guaranty 8 5/8s, 2009

Consumer Services (0.1%)

910,000 Outsourcing Solutions, Inc. sr. sub. notes Ser. B, 11s, 2006
400,000 United Rentals (North America), Inc. company guaranty Ser. B, 10 3/4s, 2008

Containers (0.7%)

968,000 AEP Industries, Inc. sr. sub. notes 9 7/8s, 2007
430,000 Fonda Group, Inc. sr. sub. notes Ser. B, 9 1/2s, 2007
1,320,000 Owens-Brockway Glass 144A sec. notes 8 7/8s, 2009
1,000,000 Owens-Illinois, Inc. debs. 7.8s, 2018
330,000 Owens-Illinois, Inc. sr. notes 8.1s, 2007
570,000 Pliant Corp. company guaranty 13s, 2010
300,000 Pliant Corp. sr. sub. notes 13s, 2010
1,490,000 Tekni-Plex, Inc. company guaranty Ser. B, 12 3/4s, 2010

Distribution (0.1%)

600,000 Roundy's, Inc. bank term loan FRN 4.454s, 2009 (acquired 6/3/02, cost \$600,000) (RES)

Electric Utilities (0.9%)

1,190,000 CMS Energy Corp. sr. notes 8.9s, 2008
440,000 CMS Energy Corp. sr. notes 8 1/2s, 2011
340,000 Mission Energy Holding Co. sec. notes 13 1/2s, 2008
186 Northeast Utilities notes Ser. A, 8.58s, 2006
500,000 Pacific Gas & Electric Co. 144A sr. notes 7 3/8s, 2005 (In default) (NON)
1,000,000 Southern California Edison Co. bank term loan FRN 5.063s, 2005 (acquired 2/28/02, cost \$998,500) (RES)
1,270,000 Southern California Edison Co. notes 8.95s, 2003
130,000 Southern California Edison Co. notes 6 3/8s, 2006
977,500 TNP Enterprises, Inc. bank term loan FRN 4.589s, 2005 (acquired 4/4/00, cost \$976,523) (RES)
750,000 Western Resources, Inc. bank term loan FRN 4.844s, 2005 (acquired 6/4/02, cost \$750,000) (RES)
1,105,000 Western Resources, Inc. 144A 1st mtge. 7 7/8s, 2007
815,000 Western Resources, Inc. 144A sr. notes 9 3/4s, 2007

Electrical Equipment (0.1%)

280,000 Amkor Technologies, Inc. sr. notes 9 1/4s, 2006

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540,000 Amkor Technologies, Inc. Structured Notes 12.58s, 2005
(issued by STEERS Credit Linked Trust 2000)

Electronics (0.3%)

1,760,000 Sequa Corp. sr. notes 9s, 2009
160,000 Sequa Corp. sr. notes Ser. B, 8 7/8s, 2008
900,000 Titan Corp. (The) bank term loan FRN Ser. B, 4.841s,
2009 (acquired various dates 5/14/02 to 6/3/02,
cost \$901,125) (RES)

Energy (0.4%)

890,000 BRL Universal Equipment sec. notes 8 7/8s, 2008
975,000 Dresser, Inc. company guaranty 9 3/8s, 2011
50,000 Hornbeck Offshore Services, Inc. sr. notes 10 5/8s, 2008
605,000 Parker Drilling Co. company guaranty Ser. AI, 10 1/8s, 2009
150,000 Parker Drilling Co. 144A company guaranty 10 1/8s, 2009
1,110,000 Pride Petroleum Services, Inc. sr. notes 9 3/8s, 2007

Entertainment (0.9%)

860,000 AMC Entertainment, Inc. sr. sub. notes 9 1/2s, 2011
990,000 AMC Entertainment, Inc. sr. sub. notes 9 1/2s, 2009
715,034 AMF Bowling Worldwide bank term loan FRN Ser. B,
6.533s, 2008 (acquired 3/1/02, cost \$713,247) (RES)
1,805,000 Cinemark USA, Inc. sr. sub. notes Ser. B, 8 1/2s, 2008
450,000 MGM Studios bank term loan FRN 4.85s, 2008
(acquired 6/10/02, cost \$450,000) (RES)
390,000 Premier Parks, Inc. sr. notes 9 3/4s, 2007
990,000 Regal Cinemas, Inc. 144A sr. sub. notes 9 3/8s, 2012
1,120,000 Silver Cinemas, Inc. sr. sub. notes 10 1/2s, 2005 (In default) (NON)
375,000 Six Flags, Inc. bank term loan FRN Ser. B, 4.09s, 2009
(acquired 7/3/02, cost \$375,000) (RES)
420,000 Six Flags, Inc. sr. notes 9 1/2s, 2009
1,310,000 Six Flags, Inc. sr. notes 8 7/8s, 2010

Environmental (0.1%)

270,000 Laidlaw, Inc. debs. 8 3/4s, 2025 (Canada) (In default) (NON)
170,000 Laidlaw, Inc. debs. 8 1/4s, 2023 (Canada) (In default) (NON)
900,000 Laidlaw, Inc. notes 7.65s, 2006 (Canada) (In default) (NON)

Financial (0.7%)

70,000 Acme Communications, Inc. sr. disc. notes stepped-coupon
Ser. B, zero % (12s, 9/30/02), 2005 (STP)
1,915,000 Advanta Corp. 144A company guaranty Ser. B, 8.99s, 2026
1,005,000 AMRESKO, Inc. sr. sub. notes Ser. 97-A, 10s, 2004 (In default) (NON)
150,000 Comdisco, Inc. notes 7 1/4s, 2001 (In default) (DEF) (NON)
110,000 Comdisco, Inc. notes 6 3/8s, 2001 (In default) (DEF) (NON)
340,000 Comdisco, Inc. notes 5.95s, 2002 (In default) (DEF) (NON)

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530,000 Conseco, Inc. 144A company guaranty 10 3/4s, 2009
450,000 Hilb, Rogal & Hamilton Co. bank term loan FRN 4 5/8s,
2007 (acquired 6/20/02, cost \$450,000) (RES)
420,000 Imperial Credit Industries, Inc. sec. notes 12s, 2005
550,000 Nationwide Credit, Inc. sr. notes Ser. A, 10 1/4s,
2008 (In default) (NON)
220,000 Ocwen Capital Trust I company guaranty 10 7/8s, 2027
545,000 Ocwen Federal Bank sub. debs. 12s, 2005
1,070,000 Resource America, Inc. 144A sr. notes 12s, 2004
880,000 Superior Financial Corp. 144A sr. notes 8.65s, 2003
760,000 Western Financial Bank sub. debs. 9 5/8s, 2012

Food (0.9%)

496,875 American Seafood Group, LLC bank term loan FRN
Ser. B, 5.108s, 2009 (acquired 4/11/02, cost \$496,378) (RES)
1,510,000 Archibald Candy Corp. company guaranty 10 1/4s,
2004 (In default) (NON)
420,000 Aurora Foods, Inc. sr. sub. notes Ser. B, 9 7/8s, 2007
905,000 Aurora Foods, Inc. 144A sr. sub. notes Ser. D, 9 7/8s, 2007
310,000 Del Monte Corp. company guaranty Ser. B, 9 1/4s, 2011
1,150,000 Doane Pet Care Co. sr. sub. debs. 9 3/4s, 2007
560,000 Eagle Family Foods company guaranty Ser. B, 8 3/4s, 2008
399,000 National Dairy bank term loan FRN Ser. B, 4.393s, 2009
(acquired 4/30/02, cost \$399,000) (RES)
900,000 Premier International Foods PLC sr. notes 12s, 2009
(United Kingdom)
1,570,000 RAB Enterprises, Inc. company guaranty 10 1/2s, 2005
450,000 Smithfield Foods, Inc. sr. notes Ser. B, 8s, 2009
970,568 Suiza Foods Corp. bank term loan FRN Ser. B, 4.11s, 2008
(acquired 12/10/01, cost \$977,038) (RES)
1,220,000 Vlastic Foods International, Inc. sr. sub. notes Ser. B, 10 1/4s,
2009 (In default) (NON)

Gaming & Lottery (3.9%)

650,000 Aladdin Gaming Holdings, LLC sr. disc. notes stepped-coupon
Ser. B, zero % (13 1/2s, 3/1/03), 2010 (In default) (NON) (STP)
470,000 Ameristar Casinos, Inc. company guaranty 10 3/4s, 2009
900,000 Argosy Gaming Co. company guaranty 10 3/4s, 2009
230,000 Argosy Gaming Co. sr. sub. notes 9s, 2011
690,629 Autotote Corp. bank term loan FRN 6.166s, 2007
(acquired 10/13/00, cost \$688,903) (RES)
661,000 Autotote Corp. company guaranty Ser. B, 12 1/2s, 2010
750,000 Borgata Resorts bank term loan FRN 5.86s, 2007
(acquired 6/5/02, cost \$748,125) (RES)
300,000 Boyd Gaming Corp. bank term loan FRN 3.885s, 2008
(acquired 6/5/02, cost \$300,000) (RES)
150,000 Boyd Gaming Corp. sr. sub. notes 9 1/2s, 2007
1,050,000 Boyd Gaming Corp. sr. sub. notes 8 3/4s, 2012
420,000 Chumash Casino & Resort Enterprise 144A sr. notes 9s, 2010
413,718 Fitzgeralds Gaming Corp. company guaranty Ser. B,
12 1/4s, 2004 (In default) (NON)
980,000 Harrah's Operating Company, Inc. company guaranty
7 1/2s, 2009
900,000 Herbst Gaming, Inc. sec. notes Ser. B, 10 3/4s, 2008
1,450,000 Hollywood Casino Corp. company guaranty 11 1/4s, 2007
120,000 Hollywood Park, Inc. company guaranty Ser. B, 9 1/4s, 2007

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1,250,000 Horseshoe Gaming Holdings company guaranty 8 5/8s, 2009
1,010,000 International Game Technology sr. notes 8 3/8s, 2009
2,300,000 International Game Technology sr. notes 7 7/8s, 2004
399,000 Isle of Capri Casinos, Inc. bank term loan FRN Ser. B, 4.385s,
2008 (acquired 4/22/02, cost \$399,000) (RES)
1,670,000 Majestic Investor Holdings/Majestic Investor Capital Corp.
144A company guaranty 11.653s, 2007
110,000 Mandalay Resort Group sr. notes 9 1/2s, 2008
90,000 Mandalay Resort Group sr. sub. notes 9 3/8s, 2010
1,690,000 Mandalay Resort Group sr. sub. notes Ser. B, 10 1/4s, 2007
2,730,000 MGM Mirage, Inc. company guaranty 8 1/2s, 2010
550,000 Mikohn Gaming Corp. company guaranty Ser. B, 11 7/8s, 2008
680,000 Mirage Resorts, Inc. notes 6 3/4s, 2008
230,000 Mohegan Tribal Gaming Authority sr. notes 8 1/8s, 2006
1,090,000 Mohegan Tribal Gaming Authority sr. sub. notes 8 3/4s, 2009
270,000 Mohegan Tribal Gaming Authority sr. sub. notes 8 3/8s, 2011
980,000 Mohegan Tribal Gaming Authority sr. sub. notes 8s, 2012
1,300,000 Park Place Entertainment Corp. sr. notes 7 1/2s, 2009
1,190,000 Park Place Entertainment Corp. sr. sub. notes 8 7/8s, 2008
200,000 Penn National Gaming, Inc. company guaranty Ser. B,
11 1/8s, 2008
1,320,000 Penn National Gaming, Inc. sr. sub. notes 8 7/8s, 2010
580,000 Resorts International Hotel and Casino, Inc. company
guaranty 11 1/2s, 2009
1,020,000 Station Casinos, Inc. sr. notes 8 3/8s, 2008
50,000 Station Casinos, Inc. sr. sub. notes 9 7/8s, 2010
280,000 Station Casinos, Inc. 144A sr. sub. notes 9 3/4s, 2007
570,000 Trump Atlantic City Associates company guaranty
11 1/4s, 2006
60,000 Trump Atlantic City Associates company guaranty
Ser. B, 11 1/4s, 2006
130,000 Trump Castle Funding, Inc. sr. sub. notes 11 3/4s, 2003
2,250,000 Venetian Casino Resort, LLC 144A 2nd mtge. 11s, 2010
300,000 Venetian Casino, Inc. bank term loan FRN 4.84s, 2008
(acquired 6/3/02, cost \$300,000) (RES)
450,000 Wheeling Island Gaming, Inc. company guaranty 10 1/8s, 2009

Health Care (1.6%)

600,000 Community Health Systems, Inc. bank term loan FRN
Ser. B, 4.35s, 2010 (acquired 7/11/02, cost \$600,000) (RES)
644,677 Concentra Operating Corp. bank term loan FRN Ser. B,
5.915s, 2006 (acquired 1/15/02, cost \$646,118) (RES)
322,338 Concentra Operating Corp. bank term loan FRN Ser. C,
6.165s, 2007 (acquired 1/15/02, cost \$323,041) (RES)
52,800 Genesis Health Ventures, Inc. sec. notes FRN 6.86s, 2007
1,080,000 Hanger Orthopedic Group, Inc. company guaranty
10 3/8s, 2009
70,000 Hanger Orthopedic Group, Inc. sr. sub. notes 11 1/4s, 2009
1,060,000 HCA, Inc. debs. 7.19s, 2015
750,000 HCA, Inc. med. term notes 7.69s, 2025
520,000 HCA, Inc. notes 8 3/4s, 2010
350,000 HCA, Inc. notes 8.36s, 2024
1,530,000 HCA, Inc. notes 7s, 2007
970,000 Healthsouth Corp. sr. sub. notes 10 3/4s, 2008
255,000 Healthsouth Corp. 144A notes 7 5/8s, 2012
2,500,000 Mariner Post-Acute Network, Inc. sr. sub. notes
Ser. B, 9 1/2s, 2007 (In default) (NON)
510,000 Mariner Post-Acute Network, Inc. sr. sub. notes stepped-coupon
Ser. B, zero % (10 1/2s, 11/1/02), 2007 (In default) (NON) (STP)

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2,690,000 Multicare Companies, Inc. sr. sub. notes 9s, 2007 (In default) (NON)
598,500 Rotech Healthcare, Inc. bank term loan Ser. B, 4.86s, 2008
(acquired various dates 4/3/02 to 4/23/02, cost \$604,500) (RES)
1,060,000 Rotech Healthcare, Inc. 144A sr. sub. notes 9 1/2s, 2012
2,390,000 Triad Hospitals Holdings company guaranty Ser. B, 11s, 2009
660,000 Triad Hospitals, Inc. company guaranty Ser. B, 8 3/4s, 2009
780,000 Vanguard Health Systems, Inc. company guaranty 9 3/4s, 2011

Homebuilding (1.0%)

610,000 Beazer Homes USA, Inc. company guaranty 8 5/8s, 2011
390,000 D.R. Horton, Inc. company guaranty 8 1/2s, 2012
120,000 D.R. Horton, Inc. company guaranty 8s, 2009
880,000 D.R. Horton, Inc. sr. notes 7 7/8s, 2011
780,000 Del Webb Corp. sr. sub. debs. 9 3/8s, 2009
630,000 K. Hovnanian Enterprises, Inc. company guaranty 10 1/2s, 2007
180,000 K. Hovnanian Enterprises, Inc. 144A sr. notes 8s, 2012
50,000 K. Hovnanian Enterprises, Inc. 144A sr. sub. notes 8 7/8s, 2012
1,270,000 KB Home sr. sub. notes 9 1/2s, 2011
330,000 Lennar Corp. company guaranty Ser. B, 9.95s, 2010
720,000 Lennar Corp. sr. notes 7 5/8s, 2009
120,000 M.D.C. Holdings, Inc. sr. notes 8 3/8s, 2008
920,000 Ryland Group, Inc. sr. notes 9 3/4s, 2010
180,000 Ryland Group, Inc. sr. sub. notes 8 1/4s, 2008
50,000 Schuler Homes, Inc. company guaranty 9s, 2008
330,000 Standard Pacific Corp. sr. notes 9 1/2s, 2010
140,000 Standard Pacific Corp. sr. notes 8 1/2s, 2009
550,000 Toll Corp. company guaranty 8 1/8s, 2009
170,000 Toll Corp. sr. sub. notes 8 1/4s, 2011
790,000 WCI Communities, Inc. company guaranty 9 1/8s, 2012

Household Furniture and Appliances (0.6%)

2,050,000 American Standard Companies, Inc. company guaranty
7 5/8s, 2010
100,000 American Standard Companies, Inc. company guaranty
7 1/8s, 2003
661,534 Sealy Mattress Co. bank term loan FRN Ser. B, 3.938s, 2004
(acquired 12/17/01, cost \$663,202) (RES)
334,891 Sealy Mattress Co. bank term loan FRN Ser. C, 4.188s, 2005
(acquired 12/17/01, cost \$335,710) (RES)
498,343 Sealy Mattress Co. bank term loan FRN Ser. D, 4.438s, 2005
(acquired 12/17/01, cost \$499,522) (RES)
1,000,000 Sealy Mattress Co. company guaranty stepped-coupon
Ser. B, zero % (10 7/8s, 12/15/02), 2007 (STP)
1,210,000 Sealy Mattress Co. sr. sub. notes Ser. B, 9 7/8s, 2007

Lodging/Tourism (1.4%)

1,807,000 Felcor Lodging LP company guaranty 9 1/2s, 2008 (R)
639,000 Felcor Lodging LP company guaranty 8 1/2s, 2008 (R)
5,270,000 HMH Properties, Inc. company guaranty Ser. B, 7 7/8s, 2008
920,000 ITT Corp. notes 6 3/4s, 2005
1,490,000 John Q. Hammons Hotels 144A 1st mtge. 8 7/8s, 2012
500,000 Lodgian Financing Corp. company guaranty 12 1/4s, 2009
(In default) (NON)

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430,000 Meristar Hospitality Corp. company guaranty 9 1/8s, 2011
260,000 Meristar Hospitality Corp. company guaranty 9s, 2008
410,000 MeriStar Hospitality Operating Partnership/MeriStar
Hospitality Finance Corp. company guaranty
10 1/2s, 2009
720,000 RFS Partnership LP company guaranty 9 3/4s, 2012
670,000 Starwood Hotels & Resorts Worldwide, Inc. 144A
notes 7 7/8s, 2012

Machinery (0.4%)

810,000 Briggs & Stratton company guaranty 8 7/8s, 2011
650,000 Insilco Holding Co. sr. disc. notes stepped-coupon zero %
(14s, 8/15/03), 2008 (STP)
620,000 JLG Industries, Inc. 144A sr. sub. notes 8 3/8s, 2012
550,000 Michigan Electric Transmission Co./Michigan Electric
Transmission, Inc. bank term loan FRN Ser. B, 4.412s,
2007 (acquired various dates 4/22/02 to 5/3/02,
cost \$552,250) (RES)
450,000 Terex Corp. bank term loan FRN Ser. B, 3.839s, 2009
(acquired 6/26/02, cost \$450,000) (RES)
220,000 Terex Corp. company guaranty 8 7/8s, 2008
460,000 Terex Corp. company guaranty Ser. B, 10 3/8s, 2011
370,000 Terex Corp. company guaranty Ser. D, 8 7/8s, 2008

Manufacturing (0.8%)

770,000 ABB Finance, Inc. company guaranty Ser. EMTN, 6 3/4s, 2004
310,000 Advanced Glass Fiber Yarns sr. sub. notes 9 7/8s, 2009
(In default) (NON)
1,470,000 Blount, Inc. company guaranty 13s, 2009
562,500 Flowserve Corp. bank term loan FRN Ser. C, 4.804s,
2009 (acquired 4/30/02, cost \$562,500) (RES)
960,000 Flowserve Corp. company guaranty 12 1/4s, 2010
730,000 High Voltage Engineering Corp. sr. notes 10 3/4s, 2004
720,000 Jackson Products, Inc. company guaranty Ser. B, 9 1/2s, 2005
220,000 Jordan Industries, Inc. sr. notes Ser. D, 10 3/8s, 2007
1,470,000 Motors and Gears, Inc. sr. notes Ser. D, 10 3/4s, 2006
930,000 Roller Bearing Company of America company guaranty
Ser. B, 9 5/8s, 2007
140,625 SPX Corp. bank term loan FRN Ser. B, 4.11s, 2009
(acquired 7/23/02, cost \$140,625) (RES)
234,375 SPX Corp. bank term loan FRN Ser. C, 4.36s, 2010
(acquired 7/23/02, cost \$234,375) (RES)

Media (0.3%)

287,303 Adams Outdoor Advertising bank term loan FRN
Ser. B, 5.36s, 2008 (acquired 8/1/01, cost \$286,944) (RES)
2,155,000 Affinity Group Holdings sr. notes 11s, 2007

Medical Services (1.4%)

478,800 Accredo Health, Inc. bank term loan FRN Ser. B, 4.6s,

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2009 (acquired 3/20/02, cost \$478,321) (RES)
2,167,600 Alderwoods Group, Inc. company guaranty 12 1/4s, 2009
19,800 Alderwoods Group, Inc. company guaranty 11s, 2007
780,000 AmerisourceBergen Corp. sr. notes 8 1/8s, 2008
597,229 DaVita, Inc. bank term loan FRN Ser. B, 5.28s, 2009
(acquired 4/26/02, cost \$596,483) (RES)
690,000 Extencicare Health Services, Inc. 144A sr. notes 9 1/2s, 2010
1,260,000 Integrated Health Services, Inc. sr. sub. notes Ser. A,
9 1/2s, 2007 (In default) (NON)
620,000 Integrated Health Services, Inc. sr. sub. notes Ser. A,
9 1/4s, 2008 (In default) (NON)
1,880,000 Magellan Health Services, Inc. sr. sub. notes 9s, 2008
50,000 Magellan Health Services, Inc. 144A sr. notes 9 3/8s, 2007
1,070,000 Mediq, Inc. company guaranty 11s, 2008 (In default) (NON)
940,000 Mediq, Inc. deb. stepped-coupon zero % (13s, 6/1/03),
2009 (In default) (NON) (STP)
800,000 Omnicare, Inc. company guaranty Ser. B, 8 1/8s, 2011
1,780,000 PacifiCare Health Systems, Inc. 144A sr. notes 10 3/4s, 2009
390,000 Service Corp. International debs. 7 7/8s, 2013
120,000 Service Corp. International notes 7.7s, 2009
2,060,000 Service Corp. International notes 6s, 2005
1,010,000 Stewart Enterprises, Inc. notes 10 3/4s, 2008
960,000 Ventas Realty LP/Capital Corp. company guaranty 9s, 2012

Medical Technology (0.8%)

450,000 Advanced Medical Optics bank term loan FRN 5.11s, 2008
(acquired 6/17/02, cost \$449,438) (RES)
1,130,000 ALARIS Medical Systems, Inc. sec. notes Ser. B, 11 5/8s, 2006
490,000 ALARIS Medical Systems, Inc. 144A company guaranty
9 3/4s, 2006
350,000 ALARIS Medical, Inc. sr. disc. notes stepped-coupon
zero % (11 1/8s, 8/1/03), 2008 (STP)
630,000 Alliance Imaging, Inc. sr. sub. notes 10 3/8s, 2011
510,000 Bio-Rad Labs Corp. sr. sub. notes 11 5/8s, 2007
1,270,000 Conmed Corp. company guaranty 9s, 2008
640,000 Insight Health Services Corp. company guaranty
Ser. B, 9 7/8s, 2011
386,961 Kinetic Concepts, Inc. bank term loan FRN Ser. C, 4.86s,
2005 (acquired 11/5/01, cost \$387,445) (RES)
1,015,000 Kinetic Concepts, Inc. company guaranty Ser. B, 9 5/8s, 2007

Metal Fabricators (0.3%)

1,110,000 Earle M. Jorgensen Co. 144A sec. notes 9 3/4s, 2012
300,000 Mueller Industries, Inc. bank term loan FRN 4.599s, 2008
(acquired 6/21/02, cost \$300,000) (RES)
300,000 Trimas Corp. bank term loan FRN 4 5/8s, 2009
(acquired 6/5/02, cost \$300,000) (RES)
520,000 Trimas Corp. 144A sr. sub. notes 9 7/8s, 2012

Metals (0.9%)

1,370,000 AK Steel Corp. company guaranty 7 7/8s, 2009
650,000 AK Steel Corp. 144A company guaranty 7 3/4s, 2012
510,450 Anker Coal Group, Inc. company guaranty Ser. B,

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14 1/4s, 2007 (In default) (NON) (PIK)
1,250,000 Doe Run Resources Corp. company guaranty Ser. B,
11 1/4s, 2005 (In default) (NON)
180,000 Doe Run Resources Corp. company guaranty Ser. B(a),
11 1/4s, 2005 (In default) (NON)
420,000 Doe Run Resources Corp. company guaranty FRN
Ser. B, 8.536s, 2003 (In default) (NON)
350,000 Haynes International, Inc. sr. notes 11 5/8s, 2004
80,000 Kaiser Aluminum & Chemical Corp. sr. notes Ser. B,
10 7/8s, 2006 (In default) (NON)
2,360,000 Kaiser Aluminum & Chemical Corp. sr. sub. notes
12 3/4s, 2003 (In default) (NON)
1,680,000 LTV Corp. company guaranty 11 3/4s, 2009 (In default) (NON)
406,000 Oregon Steel Mills, Inc. 1st mtge. 11s, 2003
770,000 Oregon Steel Mills, Inc. 144A 1st mtge. 10s, 2009
484,000 P&L Coal Holdings Corp. company guaranty Ser. B,
9 5/8s, 2008
1,020,000 Steel Dynamics, Inc. 144A sr. notes 9 1/2s, 2009
720,000 United States Steel, LLC 144A company guaranty
10 3/4s, 2008
710,000 WCI Steel, Inc. sr. notes Ser. B, 10s, 2004
55,000 Weirton Steel Corp. sr. notes FRN 10s, 2008
1,290,000 Wheeling-Pittsburgh Steel Corp. sr. notes 9 1/4s,
2007 (In default) (NON)
570,000 WHX Corp. sr. notes 10 1/2s, 2005

Natural Gas Utilities (--%)

140,000 CMS Panhandle Holding Corp. sr. notes 6 1/2s, 2009

Oil & Gas (2.7%)

990,000 Belco Oil & Gas Corp. sr. sub. notes Ser. B, 8 7/8s, 2007
950,000 Chesapeake Energy Corp. company guaranty 8 3/8s, 2008
1,090,000 Chesapeake Energy Corp. company guaranty 8 1/8s, 2011
670,000 Comstock Resources, Inc. company guaranty 11 1/4s, 2007
550,000 Comstock Resources, Inc. 144A sr. notes 11 1/4s, 2007
180,000 Denbury Resources, Inc. company guaranty Ser. B, 9s, 2008
590,000 El Paso Energy Partners L.P. company guaranty Ser. B,
8 1/2s, 2011
560,000 Encore Acquisition Co. 144A sr. sub. notes 8 3/8s, 2012
420,000 Forest Oil Corp. sr. notes 8s, 2011
520,000 Forest Oil Corp. sr. notes 8s, 2008
570,000 Forest Oil Corp. 144A sr. notes 7 3/4s, 2014
800,000 Leviathan Gas Corp. company guaranty Ser. B, 10 3/8s, 2009
320,000 Magnum Hunter Resources, Inc. 144A sr. notes 9.6s, 2012
670,000 Mission Resources Corp. company guaranty Ser. C,
10 7/8s, 2007
980,000 Newfield Exploration Co. sr. notes 7 5/8s, 2011
840,000 Ocean Energy, Inc. company guaranty Ser. B, 8 3/8s, 2008
1,735,000 Petronas Capital, Ltd. 144A company guaranty
7s, 2012 (Malaysia)
3,500,000 Pioneer Natural Resources Co. company guaranty
9 5/8s, 2010
800,000 Plans Exploration & Production Co. 144A sr. sub. notes
8 3/4s, 2012
920,000 Pogo Producing Co. sr. sub. notes Ser. B, 8 1/4s, 2011
420,000 Seven Seas Petroleum, Inc. sr. notes Ser. B, 12 1/2s, 2005
210,000 Stone Energy Corp. company guaranty 8 3/4s, 2007
1,000,000 Stone Energy Corp. sr. sub. notes 8 1/4s, 2011

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460,000 Swift Energy Co. sr. sub. notes 10 1/4s, 2009
660,000 Swift Energy Co. sr. sub. notes 9 3/8s, 2012
900,000 Vintage Petroleum, Inc. sr. notes 8 1/4s, 2012
810,000 Vintage Petroleum, Inc. sr. sub. notes 9 3/4s, 2009
510,000 Westport Resources Corp. company guaranty
8 1/4s, 2011
360,000 XTO Energy, Inc. sr. notes 7 1/2s, 2012
440,000 XTO Energy, Inc. 144A sr. sub. notes Ser. B, 8 3/4s, 2009

Paper & Forest Products (1.7%)

299,248 Appleton Papers, Inc. bank term loan FRN 5.115s, 2006
(acquired 6/4/02, cost \$300,370) (RES)
1,460,000 Appleton Papers, Inc. company guaranty
Ser. B, 12 1/2s, 2008
1,125,000 Four M Corp. sr. notes Ser. B, 12s, 2006
990,000 Georgia-Pacific Corp. notes 8 7/8s, 2031
660,000 Georgia-Pacific Corp. notes 8 1/8s, 2011
210,000 Georgia-Pacific Corp. notes 7 1/2s, 2006
1,630,000 Pacifica Papers, Inc. sr. notes 10s, 2009 (Canada)
1,000,000 Potlatch Corp. company guaranty 10s, 2011
100,000 Potlatch Corp. debs. 6.95s, 2015
800,000 Riverwood International Corp. bank term loan FRN
Ser. C, 4.51s, 2007 (acquired 4/24/02, cost \$802,222) (RES)
2,320,000 Riverwood International Corp. company guaranty
10 7/8s, 2008
375,000 Silgan Holdings, Inc. bank term loan FRN 3.87s, 2007
(acquired 6/25/02, cost \$374,930) (RES)
1,090,000 Stone Container Corp. sr. notes 9 3/4s, 2011
490,000 Stone Container Corp. sr. notes 9 1/4s, 2008
460,000 Stone Container Corp. 144A company guaranty
11 1/2s, 2006 (Canada)
790,000 Stone Container Corp. 144A sr. notes 8 3/8s, 2012
1,450,000 Tembec Industries, Inc. company guaranty 8 5/8s,
2009 (Canada)

Pharmaceuticals (0.1%)

1,210,000 Biovail Corp. sr. sub. notes 7 7/8s, 2010 (Canada)

Photography/Imaging (0.1%)

630,000 Polaroid Corp. sr. notes 11 1/2s, 2006 (In default) (NON)
260,000 Xerox Cap Europe PLC company guaranty 5 7/8s,
2004 (United Kingdom)
130,000 Xerox Corp. notes 5 1/2s, 2003
1,150,000 Xerox Corp. 144A sr. notes 9 3/4s, 2009
50,000 Xerox Credit Corp. sr. notes 6.1s, 2003

Power Producers (0.9%)

780,000 AES Corp. (The) notes 8 3/4s, 2008
1,010,000 AES Corp. (The) sr. notes 9 3/8s, 2010
190,000 AES Corp. (The) sr. notes 8 7/8s, 2011
180,000 Calpine Canada Energy Finance company guaranty
8 1/2s, 2008 (Canada)

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530,000 Calpine Corp. sr. notes 10 1/2s, 2006
2,110,000 Calpine Corp. sr. notes 8 5/8s, 2010
1,160,000 Calpine Corp. sr. notes 8 1/2s, 2011
1,050,000 Calpine Corp. sr. notes 7 7/8s, 2008
520,000 Edison Mission Energy sr. notes 10s, 2008
530,000 Edison Mission Energy sr. notes 9 7/8s, 2011
120,000 Midland Funding II Corp. debs. Ser. A, 11 3/4s, 2005
1,740,000 Midland Funding II Corp. debs. Ser. B, 13 1/4s, 2006
1,270,000 Tiverton/Rumford Power Associates, LP 144A pass-through
certificates 9s, 2018
1,651,000 York Power Funding 144A notes 12s, 2007 (Cayman Islands)
(In default) (NON)

Publishing (1.4%)

420,000 Belo Corp. sr. notes 7 1/8s, 2007
760,000 Garden State Newspapers, Inc. sr. sub. notes 8 5/8s, 2011
290,000 Garden State Newspapers, Inc. sr. sub. notes Ser. B,
8 3/4s, 2009
502,000 Hollinger International Publishing, Inc. company guaranty
9 1/4s, 2007
2,404,419 Hollinger Participation Trust 144A sr. notes 12 1/8s,
2010 (Canada) (PIK)
740,000 Key3media Group, Inc. company guaranty 11 1/4s, 2011
680,000 Mail-Well I Corp. 144A company guaranty 9 5/8s, 2012
950,000 Perry-Judd company guaranty 10 5/8s, 2007
1,910,000 PRIMEDIA, Inc. company guaranty 8 7/8s, 2011
470,000 PRIMEDIA, Inc. company guaranty 7 5/8s, 2008
1,070,000 PRIMEDIA, Inc. company guaranty Ser. B, 8 1/2s, 2006
300,000 Quebecor Media, Inc. sr. disc. notes stepped-coupon
zero % (13 3/4s, 7/15/06), 2011 (Canada) (STP)
740,000 Quebecor Media, Inc. sr. notes 11 1/8s, 2011 (Canada)
600,000 Reader's Digest Association, Inc. (The) bank term loan FRN
Ser. B, 4.309s, 2008 (acquired 5/15/02, cost \$600,000) (RES)
960,000 Vertis, Inc. 144A sr. notes 10 7/8s, 2009
800,000 Von Hoffman Press, Inc. 144A company guaranty 10 1/4s, 2009
411,360 Von Hoffman Press, Inc. 144A sr. sub. notes 13 1/2s, 2009
370,000 Von Hoffman Press, Inc. 144A sr. sub. notes 10 3/8s, 2007

Railroads (0.4%)

1,020,000 Kansas City Southern Railway Co. company guaranty 9 1/2s, 2008
510,000 Kansas City Southern Railway Co. 144A sr. notes 7 1/2s, 2009
1,100,000 RailAmerica Transportation company guaranty 12 7/8s, 2010
200,000 Transportation Manufacturing Operations, Inc. company
guaranty 11 1/4s, 2009
260,000 Travel Centers of America, Inc. company guaranty 12 3/4s, 2009

Real Estate (0.3%)

170,000 Crescent Real Estate Equities LP FRN 7 1/2s, 2007
1,410,000 Crescent Real Estate Equities LP 144A sr. notes 9 1/4s, 2009
980,000 iStar Financial, Inc. sr. notes 8 3/4s, 2008

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Regional Bells (0.3%)

170,000 Qwest Capital Funding, Inc. company guaranty 7.9s, 2010
800,000 Qwest Capital Funding, Inc. company guaranty 7 3/4s, 2006
1,200,000 Qwest Capital Funding, Inc. company guaranty 7s, 2009
270,000 Qwest Capital Funding, Inc. company guaranty 6 3/8s, 2008
620,000 Qwest Communications International, Inc. sr. notes Ser. B,
7 1/2s, 2008
680,000 Qwest Communications International, Inc. sr. notes Ser. B,
7 1/4s, 2008
260,000 Qwest Corp. notes 7 5/8s, 2003
200,000 Qwest Corp. 144A notes 8 7/8s, 2012
550,000 US West, Inc. notes 5 5/8s, 2008
210,000 US West Capital Funding, Inc. company guaranty 6 7/8s, 2028

Restaurants (0.4%)

500,000 Domino's, Inc. company guaranty Ser. B, 10 3/8s, 2009
760,000 Sbarro, Inc. company guaranty 11s, 2009
50,000 Tricon Global Restaurants, Inc. sr. notes 8 7/8s, 2011
1,470,000 Tricon Global Restaurants, Inc. sr. notes 7.65s, 2008
830,000 Tricon Global Restaurants, Inc. sr. notes 7.45s, 2005

Retail (1.5%)

670,000 Amazon.com, Inc. sr. sub. notes stepped-coupon zero %
(10s, 5/1/03), 2008 (STP)
800,000 Asbury Automotive Group, Inc. 144A sr. sub. notes 9s, 2012
1,240,000 Autonation, Inc. company guaranty 9s, 2008
750,000 Fleming Companies, Inc. bank term loan FRN 4 1/8s, 2008
(acquired 6/18/02, cost \$752,334) (RES)
1,090,000 Fleming Companies, Inc. company guaranty 10 1/8s, 2008
20,000 Fleming Companies, Inc. company guaranty Ser. D, 10 5/8s, 2007
640,000 Fleming Companies, Inc. sr. notes 9 1/4s, 2010
70,000 Fleming Companies, Inc. 144A sr. sub. notes 9 7/8s, 2012
360,000 Great Atlantic & Pacific Tea Co. notes 7 3/4s, 2007
210,000 JC Penney Company, Inc. debs. 7.95s, 2017
620,000 JC Penney Company, Inc. debs. 7.4s, 2037
450,000 JC Penney Company, Inc. notes Ser. MTNA, 7.05s, 2005
1,300,000 JC Penney Company, Inc. 144A notes 9s, 2012
1,000,000 Kmart Corp. bank term loan FRN Ser. B, 5.09s, 2004
(acquired 3/7/02, cost \$1,000,000) (RES)
700,000 Kmart Corp. pass-through certificates Ser. 95K4, 9.35s,
2020 (In default) (NON)
360,000 Kmart Corp. 144A notes 9 7/8s, 2008 (In default) (NON)
90,000 Mothers Work, Inc. sr. notes 12 5/8s, 2005
630,000 Rite Aid Corp. notes 7 1/8s, 2007
2,190,000 Saks, Inc. company guaranty 8 1/4s, 2008
571,765 Shoppers Drug Mart bank term loan FRN Ser. F, 3.917s,
2009 (acquired various dates 5/22/02 to 5/29/02,
cost \$573,640) (RES)
80,000 Southland Corp. debs. Ser. A, 4 1/2s, 2004
190,000 Southland Corp. sr. sub. debs. 5s, 2003
580,000 United Auto Group, Inc. 144A sr. sub. notes 9 5/8s, 2012

Semiconductor (0.1%)

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1,000,000 Micron Technology, Inc. notes 6 1/2s, 2005

Shipping (0.3%)

300,000 Ingram Industries bank term loan FRN 4.53s, 2008
(acquired 6/17/02, cost \$300,000) (RES)
54,000 International Shipholding Corp. sr. notes 9s, 2003
670,000 Navistar International Corp. company guaranty Ser. B,
9 3/8s, 2006
880,000 Navistar International Corp. sr. notes Ser. B, 8s, 2008
1,030,000 Trico Marine Services, Inc. 144A sr. notes 8 7/8s, 2012

Technology (0.2%)

620,000 ON Semiconductor Corp. 144A company guaranty
12s, 2008
370,000 SCG Holding & Semiconductor Corp. company guaranty
12s, 2009
765,000 Telecommunications Techniques, Inc. company guaranty
9 3/4s, 2008
440,000 Unisys Corp. sr. notes 7 7/8s, 2008
250,000 Unisys Corp. sr. notes 7 1/4s, 2005

Technology Services (0.3%)

387,000 CSG Systems International, Inc. bank term loan FRN Ser. B,
5.129s, 2008 (acquired various dates 2/27/02 to 3/4/02,
cost \$387,866) (RES)
1,250,000 Intira Corp. bonds stepped-coupon zero % (13s, 2/1/05),
2010 (acquired 1/3/00, cost \$666,138) (In default) (NON) (RES) (STP)
305,000 Iron Mountain, Inc. company guaranty 8 5/8s, 2013
370,000 Iron Mountain, Inc. company guaranty 8 1/8s, 2008 (Canada)
1,890,000 Iron Mountain, Inc. sr. sub. notes 8 1/4s, 2011

Telecommunications (2.1%)

1,490,000 360Networks, Inc. sr. notes 13s, 2008 (Canada) (In default) (NON)
1,510,000 American Cellular Corp. company guaranty 9 1/2s, 2009
2,410,000 American Tower Corp. sr. notes 9 3/8s, 2009
550,000 Arch Communications, Inc. sr. notes 13 3/4s, 2008 (In default) (NON)
770,000 Asia Global Crossing, Ltd. sr. notes 13 3/8s, 2010 (Bermuda)
(In default) (NON)
168,280 Call-Net Enterprises, Inc. company guaranty 10 5/8s,
2008 (Canada)
456,760 Colo.com, Inc. 144A sr. notes 13 7/8s, 2010 (In default) (NON)
1,140,000 Crown Castle International Corp. sr. disc. notes stepped-coupon
zero % (10 3/8s, 5/15/04), 2011 (STP)
150,000 Crown Castle International Corp. sr. notes 10 3/4s, 2011
1,210,000 Crown Castle International Corp. sr. notes 9 3/8s, 2011
3,080,000 Cybernet Internet Services International, Inc. 144A sr. disc.
notes stepped-coupon zero % (13s, 8/15/04), 2009
(Denmark) (STP)
1,220,000 Dobson/Sygnnet Communications, Inc. sr. notes 12 1/4s, 2008
2,270,000 Econophone, Inc. company guaranty 13 1/2s, 2007 (In default) (NON)
1,180,000 Equinix, Inc. sr. notes 13s, 2007 (In default) (NON)

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580,000 Esprit Telecom Group PLC sr. notes 11 1/2s, 2007
(United Kingdom) (In default) (NON)

2,000,000 Firstworld Communication Corp. sr. disc. notes stepped-coupon
zero % (13s, 4/15/03), 2008 (In default) (NON) (STP)

830,000 Flag, Ltd. 144A sr. notes 8 1/4s, 2008 (Bermuda) (In default) (NON)

130,000 Global Crossing Holdings, Ltd. company guaranty 9 5/8s, 2008
(Bermuda) (In default) (NON)

230,000 Global Crossing Holdings, Ltd. company guaranty 9 1/2s, 2009
(Bermuda) (In default) (NON)

3,230,000 Global Crossing Holdings, Ltd. company guaranty 9 1/8s, 2006
(Bermuda) (In default) (NON)

2,100,000 Globix Corp. sr. notes 12 1/2s, 2010 (In default) (NON)

1,270,000 iPCS, Inc. sr. disc. notes stepped-coupon zero % (14s, 7/15/05),
2010 (STP)

1,060,000 IWO Holdings, Inc. company guaranty 14s, 2011

1,420,000 Leap Wireless International, Inc. company guaranty 12 1/2s, 2010

1,650,000 McCaw International, Ltd. sr. disc. notes 13s, 2002 (In default) (NON)

310,000 Metrocall, Inc. sr. sub. notes 11s, 2008 (In default) (NON)

250,000 Metrocall, Inc. sr. sub. notes 10 3/8s, 2007 (In default) (NON)

260,000 Metrocall, Inc. sr. sub. notes 9 3/4s, 2007 (In default) (NON)

1,260,000 Microcell Telecommunications sr. disc. notes Ser. B, 14s,
2006 (Canada)

320,000 Millicom International Cellular SA sr. disc. notes 13 1/2s,
2006 (Luxembourg)

1,030,000 Nextel Communications, Inc. sr. disc. notes stepped-coupon
zero % (9 3/4s, 10/31/02), 2007 (STP)

1,490,000 Nextel Communications, Inc. sr. notes 12s, 2008

1,990,000 Nextel Communications, Inc. sr. notes 9 1/2s, 2011

4,100,000 Nextel Communications, Inc. sr. notes 9 3/8s, 2009

270,000 Nextel Communications, Inc. 144A sr. disc. notes stepped-
coupon zero % (10.65s, 9/15/02), 2007 (STP)

270,000 Nextel Partners, Inc. sr. notes 12 1/2s, 2009

1,560,000 Nextel Partners, Inc. sr. notes 11s, 2010

350,000 NorthEast Optic Network, Inc. sr. notes 12 3/4s, 2008
(In default) (NON)

990,000 Orbital Imaging Corp. sr. notes Ser. B, 11 5/8s, 2005 (In default) (NON)

690,000 PanAmSat Corp. bank term loan FRN Ser. B, 5.339s, 2009
(acquired 2/21/02, cost \$689,138) (RES)

1,060,000 PanAmSat Corp. 144A sr. notes 8 1/2s, 2012

1,480,000 Price Communications Wireless, Inc. 144A sr. notes 9 1/8s, 2006

230,000 PSINet, Inc. sr. notes 11 1/2s, 2008 (In default) (NON)

160,000 PSINet, Inc. sr. notes Ser. B, 10s, 2005 (In default) (NON)

178,142 Rhythms Netconnections, Inc. sr. notes Ser. B, 14s, 2010
(In default) (NON)

450,000 Rogers Wireless, Inc. sec. notes 9 5/8s, 2011 (Canada)

150,000 RSL Communications PLC 144A company guaranty
10 1/2s, 2008 (United Kingdom) (In default) (NON)

1,025,000 RSL Communications, Ltd. company guaranty 12 1/4s,
2006 (Bermuda) (In default) (NON)

420,000 Rural Cellular Corp. sr. sub. notes Ser. B, 9 5/8s, 2008

860,000 SBA Communications Corp. sr. notes 10 1/4s, 2009

1,340,000 Spectrasite Holdings, Inc. sr. disc. notes stepped-coupon
zero % (11 1/8s, 4/15/04), 2009 (STP)

1,380,000 Startec Global Communications Corp. sr. notes 12s, 2008
(In default) (NON)

630,000 Telehub Communications Corp. company guaranty 13 7/8s,
2005 (In default) (NON)

710,000 TSI Telecommunication Services, Inc. 144A sr. sub. notes
12 3/4s, 2009

1,250,000 US UnWired, Inc. company guaranty stepped-coupon Ser. B,
zero % (13 3/8s, 11/1/04), 2009 (STP)

1,280,000 WebLink Wireless, Inc. sr. disc. notes stepped-coupon zero %

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(11 1/4s, 2/1/03), 2008 (STP)
750,000 Western Wireless Corp. bank term loan FRN 4.66s, 2008
(acquired 4/24/00, cost \$749,063) (RES)
140,000 Williams Communications Group, Inc. sr. notes 11 7/8s, 2010
(In default) (NON)
180,000 Williams Communications Group, Inc. sr. notes 11.7s, 2008
(In default) (NON)
280,000 Williams Communications Group, Inc. sr. notes 10.7s, 2007
(In default) (NON)
1,250,000 World Access, Inc. sr. notes Ser. B, 13 1/4s, 2008 (In default) (NON)

Telephone (0.4%)

1,065,000 Airgate PCS, Inc. sr. sub. notes stepped-coupon zero %
(13 1/2s, 10/1/04), 2009 (STP)
890,000 Alamosa Delaware, Inc. company guaranty 13 5/8s, 2011
400,000 Alamosa Delaware, Inc. company guaranty 12 1/2s, 2011
1,893,000 Alamosa PCS Holdings, Inc. company guaranty stepped-coupon
zero % (12 7/8s, 2/15/05), 2010 (STP)
780,000 Birch Telecommunications, Inc. sr. notes 14s, 2008 (In default) (NON)
220,000 Horizon PCS, Inc. company guaranty 13 3/4s, 2011
220,000 Hyperion Telecommunications Corp., Inc. sr. disc. notes Ser. B,
zero %, 2003 (In default) (NON)
1,700,000 Hyperion Telecommunications Corp., Inc. sr. sub. notes 12s,
2007 (In default) (NON)
90,000 Intermedia Communications, Inc. sr. notes Ser. B, 8.6s, 2008
(In default) (NON)
910,000 MCI WorldCom, Inc. notes 7 3/4s, 2007 (In default) (NON)
720,000 MCI WorldCom, Inc. sr. notes 6.4s, 2005 (In default) (NON)
450,000 Metromedia Fiber Network, Inc. sr. notes 10s, 2009
(In default) (NON)
1,070,000 Metromedia Fiber Network, Inc. sr. notes Ser. B, 10s,
2008 (In default) (NON)
390,000 Tele1 Europe BV sr. notes 13s, 2009 (Netherlands)
202,000 Telecorp PCS, Inc. company guaranty 10 5/8s, 2010
45,000 Telecorp PCS, Inc. company guaranty stepped-coupon zero %
(11 5/8s, 4/15/04), 2009 (STP)
820,000 Time Warner Telecom, Inc. sr. notes 9 3/4s, 2008
249,000 Tritel PCS, Inc. company guaranty 10 3/8s, 2011
130,000 Triton PCS, Inc. company guaranty 9 3/8s, 2011
1,080,000 Triton PCS, Inc. company guaranty 8 3/4s, 2011
90,000 Triton PCS, Inc. company guaranty zero %, 2008
2,310,000 UbiquiTel Operating Co. company guaranty stepped-coupon
zero % (14s, 4/15/05), 2010 (STP)
5,406,000 WinStar Communications, Inc. sr. disc. notes stepped-coupon
zero % (14 3/4s, 4/15/05), 2010 (In default) (NON) (STP)
1,280,000 WinStar Communications, Inc. sr. notes 12 3/4s, 2010
(In default) (NON)
70,000 WinStar Communications, Inc. sr. notes 12 1/2s, 2008
(In default) (NON)
350,000 WorldCom, Inc.-WorldCom Group notes 8 1/4s, 2010
(In default) (NON)

Textiles (0.4%)

780,000 Galey & Lord, Inc. company guaranty 9 1/8s, 2008
(In default) (NON)
970,000 Levi Strauss & Co. sr. notes 11 5/8s, 2008

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590,000 Russell Corp. 144A sr. notes 9 1/4s, 2010
 830,000 William Carter Holdings Co. (The) company guaranty
 Ser. B, 10 7/8s, 2011
 310,000 Tommy Hilfiger USA, Inc. company guaranty 6 1/2s, 2003
 1,200,000 Westpoint Stevens, Inc. sr. notes 7 7/8s, 2008
 470,000 Westpoint Stevens, Inc. sr. notes 7 7/8s, 2005

Tobacco (0.2%)

 1,560,000 North Atlantic Trading Co. company guaranty Ser. B,
 11s, 2004

Waste Management (1.0%)

 65,700 Allied Waste Industries, Inc. bank term loan FRN Ser. C,
 4.931s, 2007 (acquired 2/27/02, cost \$64,879) (RES)
 1,105,321 Allied Waste Industries, Inc. bank term loan FRN Ser. B,
 4.664s, 2006 (acquired various dates 10/18/01 to
 2/27/02, cost \$1,084,442) (RES)
 3,670,000 Allied Waste North America, Inc. company guaranty
 Ser. B, 10s, 2009
 360,000 Allied Waste North America, Inc. company guaranty
 Ser. B, 8 7/8s, 2008
 1,185,000 Allied Waste North America, Inc. company guaranty Ser. B,
 8 1/2s, 2008
 2,300,000 Browning-Ferris Industries, Inc. debs. 7.4s, 2035
 880,000 Browning-Ferris Industries, Inc. sr. notes 6 3/8s, 2008
 470,000 IESI Corp. 144A sr. sub. notes 10 1/4s, 2012
 160,000 Waste Management, Inc. sr. notes 7 3/8s, 2010

Total Corporate Bonds and Notes (cost \$519,283,285)

FOREIGN GOVERNMENT BONDS AND NOTES (17.3%) (a) PRINCIPAL AMOUNT

 USD 2,498,943 Argentina (Republic of) bonds Ser. 2018, 2.89s, 2018
 (In default) (NON)
 USD 2,795,000 Brazil (Federal Republic of) bonds 10 1/8s, 2027
 USD 935,000 Brazil (Federal Republic of) notes 14 1/2s, 2009
 USD 1,600,000 Brazil (Federal Republic of) notes 11s, 2012
 USD 2,260,000 Brazil (Federal Republic of) unsub. notes 11s, 2040
 USD 6,215,000 Bulgaria (Republic of) 144A bonds 8 1/4s, 2015
 CAD 11,840,000 Canada (Government of) bonds 6s, 2011
 CAD 2,725,000 Canada (Government of) bonds 5 1/2s, 2010
 CAD 930,000 Canada (Government of) bonds Ser. WL43, 5 3/4s, 2029
 USD 2,380,000 Colombia (Republic of) bonds 11 3/4s, 2020
 EUR 480,000 Colombia (Republic of) notes Ser. EMTN, 11 1/2s, 2011
 EUR 480,000 Colombia (Republic of) unsub. bonds Ser. 15A, 11 3/8s, 2008
 USD 710,000 Ecuador (Republic of) bonds Ser. REGS, 12s, 2012
 USD 3,000,000 Ecuador (Republic of) bonds stepped-coupon Ser. REGS, 5s
 (6s, 8/15/02), 2030 (STP)
 EUR 1,495,000 France (Government of) bonds 5 1/2s, 2010
 EUR 1,080,000 France (Government of) debs. 4s, 2009
 EUR 650,000 Germany (Federal Republic of) bonds 5s, 2012
 EUR 6,380,000 Germany (Federal Republic of) bonds Ser. 02, 5s, 2012
 EUR 2,000,000 Germany (Federal Republic of) bonds Ser. 94, 6 1/4s, 2024

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EUR	7,040,000	Germany (Federal Republic of) bonds Ser. 97, 6s, 2007
EUR	5,380,000	Germany (Federal Republic of) bonds Ser. 99, 4s, 2009
EUR	530,000	Italy (Government of) treasury bonds 4 3/4s, 2006
EUR	5,325,000	Italy (Government of) treasury bonds 3 1/4s, 2004
USD	510,000	Malaysia (Government of) bonds 7 1/2s, 2011
NZD	8,399,000	New Zealand (Government of) bonds 8s, 2006
NZD	2,656,000	New Zealand (Government of) bonds Ser. 709, 7s, 2009
USD	1,757,250	Peru (Republic of) bonds Ser. PDI, 4s, 2017
USD	1,380,000	Russia (Federation of) bonds 12 3/4s, 2028
USD	4,820,000	Russia (Federation of) unsub. 10s, 2007
USD	3,040,000	Russia (Federation of) unsub. 8 1/4s, 2010
USD	8,840,000	Russia (Federation of) unsub. stepped-coupon 5s (7 1/2s, 3/31/07), 2030 (STP)
USD	11,677,500	Russia (Federation of) 144A unsub. stepped-coupon 5s (7 1/2s, 3/31/07), 2030 (STP)
USD	3,675,000	South Africa (Republic of) notes 7 3/8s, 2012
EUR	710,000	Spain (Government of) bonds 5 3/4s, 2032
EUR	2,360,000	Spain (Government of) bonds 4.8s, 2006
SEK	76,070,000	Sweden (Government of) bonds Ser. 1037, 8s, 2007
SEK	118,540,000	Sweden (Government of) bonds Ser. 1044, 3 1/2s, 2006
USD	1,490,000	Turkey (Republic of) bonds 11 3/4s, 2010
GBP	4,420,000	United Kingdom Treasury bonds 10s, 2003
GBP	1,100,000	United Kingdom Treasury bonds 5s, 2012
GBP	2,855,000	United Kingdom Treasury bonds Ser. 85, 9 3/4s, 2002
GBP	4,781,000	United Kingdom Treasury bonds 8 1/2s, 2005
USD	3,845,000	United Mexican States bonds 11 3/8s, 2016
USD	3,830,000	United Mexican States bonds Ser. MTN, 8.3s, 2031
USD	1,125,000	United Mexican States notes 8 1/8s, 2019
USD	5,535,000	United Mexican States notes Ser. A, 9 7/8s, 2010
USD	1,055,000	Venezuela (Republic of) bonds 9 1/4s, 2027

Total Foreign Government Bonds and Notes
(cost \$147,261,155)

U.S. GOVERNMENT AND AGENCY OBLIGATIONS (12.2%) (a)
PRINCIPAL AMOUNT

U.S. Government Agency Mortgage Obligations (3.2%)

	\$88,723	Federal Home Loan Mortgage Corporation 7 1/2s, March 1, 2026
		Federal National Mortgage Association Pass-Through Certificates
	1,045,980	7 1/2s, with due dates from August 1, 2029 to May 1, 2031
	2,108,106	6 1/2s, with due dates from March 1, 2029 to May 1, 2031
	54,955	6 1/2s, January 1, 2015
	23,497,000	TBA, 6 1/2s, August 1, 2032
	239,976	6s, July 1, 2032
		Government National Mortgage Association Pass-Through Certificates
	470,043	8s, December 15, 2022

U.S. Treasury Obligations (9.0%)

		U.S. Treasury Bonds
	21,600,000	7 1/2s, November 15, 2016 (SEG)
	13,600,000	6 1/4s, May 15, 2030
	12,260,000	6 1/4s, August 15, 2023
		U.S. Treasury Notes

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11,375,000 4 7/8s, February 15, 2012

11,350,000 4 3/8s, May 15, 2007

Total U.S. Government and Agency Obligations
(cost \$105,227,997)

COLLATERALIZED MORTGAGE OBLIGATIONS (10.4%) (a)
PRINCIPAL AMOUNT

	Amortizing Residential Collateral Trust
\$49,410,000	Ser. 02-BC1, Class AIO, Interest Only (IO) 6s, 2005
3,170,000	Ser. 02-BC1, Class M2, FRN, 2.94s, 2032
80,000	Amresco Commercial Mortgage Funding I Ser. 97-C1, Class F, 7.64s, 2029
330,000	Banc of America Commercial Mortgage, Inc. Ser. 02-PB2, Class K, 6.29s, 2035
1,780,901	Blackstone Hotel Acquisition Co. jr. mtge. loan FRN 9.794s, 2003 (United Kingdom)
760,000	Chase Commercial Mortgage Securities Corp. Ser. 00-3, Class G, 6.887s, 2019
2,305,000	Commercial Mortgage Acceptance Corp. Ser. 97-ML1, Class D, 6.962s, 2010
6,419,420	Ser. 97-ML1, Class IO, 0.88s, 2017
335,000	Commercial Mortgage Acceptance Corp. 144A Ser. 98-C2, Class F, 5.44s, 2013
43,104,313	Commercial Mortgage Asset Trust Ser. 99-C1, Class X, IO, 0.92s, 2020
2,948,000	Criimi Mae Commercial Mortgage Trust Ser. 98-C1, Class A2, 7s, 2011
2,814,000	Criimi Mae Commercial Mortgage Trust 144A Ser. 98-C1, Class B, 7s, 2011
590,000	CS First Boston Mortgage Securities Corp. 144A Ser. 02-CKN2, Class H, 6.122s, 2037
68,259,310	Deutsche Mortgage & Asset Receiving Corp. Ser. 98-C1, Class X, IO, 1.09s, 2023
	Euro Loan Conduit 144A
700,000	FRN Ser. 7A, Class E, 7.48s, 2006 (United Kingdom)
700,000	FRN Ser. 7A, Class D, 5.73s, 2006 (United Kingdom)
	Fannie Mae
7,426,078	Ser. 02-36, Class SJ, 15 1/2s, 2029
27,370,606	Ser. 00-T6, IO, 8.7s, 2030
5,800	Ser. 92-15, Class L, IO, 8s, 2022
515,736	Ser. 01-55, Class CZ, 6 1/2s, 2031
1,304,000	Ser. 01-58, Class HI, IO, 6 1/2s, 2026
1,276,438	Ser. 98-1, Class SA, IO, 6 1/2s, 2024
7,347,548	Ser. 93-251, Class Z, 6 1/2s, 2023
4,022,481	Ser. 02-29, Class SL, IO, 6.21s, 2029
5,686,800	Ser. 02-47, Class NS, IO, 6.16s, 2032
3,033,755	Ser. 02-39, Class SB, IO, 6.111s, 2032
12,671,508	Ser. 02-34, Class SB, IO, 6.09s, 2032
3,270,300	Ser. 01-72, Class NI, IO, 6s, 2021
4,660,100	Ser. 01-70, Class PI, IO, 6s, 2021
3,281,400	Ser. 01-74, Class QI, IO, 6s, 2018
827,666	Ser. 98-51, Class SG, 1.62s, 2022
2,396,528	Ser. 01-74, Class MI, IO, 6s, 2015
5,746,818	Ser. 318, Class 2, IO, 6s, 2032
16,089,820	Ser. 02-36, Class QH, IO, 6.21s, 2031
29,426	Ser. 01-30, Class DO, Principal Only (PO) zero %, 2031

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836,619 Ser. 99-51, Class N, PO, zero %, 2029
 820,513 Ser. 99-52, Class MO, PO, zero %, 2026
 375,933 Ser. 97-92, PO, zero %, 2025
 1,026,815 Ser. 96-5, Class PB, PO, zero %, 2024
 196,183 Ser. 99-4, Class M, PO, zero %, 2023
 969,786 Ser. 93-159, Class D, PO, zero %, 2023
 512,555 Federal Home Loan Mortgage Corp. Ser. 57, Class A,
 PO, zero %, 2023
 24,618,291 FFCA Secured Lending Corp. Ser. 00-1, Class X, IO,
 1.71s, 2020
 Freddie Mac
 631,014 Ser. 2154, Class SA, 24.83s, 2029
 110,037 Ser. 2319, Class S, 21.932s, 2031
 1,241,998 Ser. 2398, Class DT, 20.589s, 2032
 Freddie Mac
 1,737,937 Ser. 2413, Class SH, 20.199s, 2032
 1,035,752 Ser. 2360, Class SC, 16.279s, 2031
 664,000 Ser. 2028, Class SG, IO, 10.114s, 2023
 1,379,786 Ser. 1717, Class L, 6 1/2s, 2024
 1,300,208 Ser. 2044, Class SG, IO, 6 1/2s, 2023
 6,536,727 Ser. 2448, Class SE, IO, 6 1/4s, 2029
 3,799,300 Ser. 2448, Class SM, IO, 6.16s, 2032
 10,903,690 Ser. 212, IO, 6s, 2031
 2,292,016 Ser. 2389, Class EI, IO, 6s, 2021
 695,670 Ser. 2351, Class EO, PO, zero %, 2031
 285,857 Ser. 2337, PO, zero %, 2031
 114,146 Ser. 2331, PO, zero %, 2031
 2,961,936 Ser. 215, Class PO, PO, zero %, 2031
 25,229 Ser. 2312, PO, zero %, 2031
 40,976 Ser. 2317, PO, zero %, 2031
 113,220 Ser. 2078, Class KC, PO, zero %, 2023
 1,575,000 GE Capital Mortgage Services, Inc. Ser. 98-11,
 Class 2A4, 6 3/4s, 2028
 Government National Mortgage Association
 8,840,467 Ser. 01-43, Class SJ, IO, 5.76s, 2029
 1,019,513 Ser. 98-2, Class EA, PO, zero %, 2028
 193,937 Ser. 99-42, PO, zero %, 2027
 1,495,000 Granite Mortgages PLC FRN Ser. 01-1, Class 1C,
 3.26s, 2041 (United Kingdom)
 7,365,000 Holmes Financing PLC FRB Ser. 1, Class 2C, 3.01s, 2040
 LB-UBS Commercial Mortgage Trust
 740,000 Ser. 01-C3, Class A2, 6.37s, 2011
 910,000 Ser. 01-C3, Class J, 6.16s, 2036
 Merrill Lynch Mortgage Investors, Inc.
 15,421,009 Ser. 96-C2, IO, 9.1s, 2028
 1,615,000 Ser. 95-C3, Class D, 7.782s, 2025
 1,495,000 Ser. 96-C2, Class E, 6.96s, 2028
 9,494,469 Mortgage Capital Funding, Inc. Ser. 97-MC2, Class X, IO,
 8.05s, 2012
 58,365 Prudential Home Mortgage Securities Ser. 93-57, Class A4,
 5.9s, 2023
 868,660 Rural Housing Trust Ser. 87-1, Class D, 6.33s, 2026

 Total Collateralized Mortgage Obligations (cost \$91,821,148)

ASSET-BACKED SECURITIES (5.1%) (a)
 PRINCIPAL AMOUNT

\$908,074 Arc Net Interest Margin Trust 144A Ser. 02-1A, Class A,
 7 3/4s, 2032

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732,580 Asset Backed Funding Corp. NIM Trust Ser. 02-WF1,
9.32s, 2032

2,571,000 Bank One Issuance Trust Ser. 02-C1, Class C1, FRN,
2.799s, 2007

Bayview Financial Acquisition Trust

1,481,826 Ser. 01-DA, Class M3, FRN, 3.24s, 2031

1,390,000 Ser. 02-CA, Class AIO, IO, 14s, 2004

1,752,996 CDC Mortgage Capital Trust Ser. 02-HE1, Class M, FRN,
3.236s, 2033

Chase Funding Net Interest Margin

731,390 Ser. 02-1, Class Note, 8 1/2s, 2035

1,257,000 Ser. 02-2, 8 1/2s, 2032

598,871 Ser. 02-C1, Class Note, 8 1/2s, 2035

Conseco Finance Securitizations Corp.

4,265,000 Ser. 00-4, Class A6, 8.31s, 2032

1,535,000 Ser. 00-6, Class M2, 8.2s, 2032

1,436,000 Ser. 01-4, Class B1, 9.4s, 2010

5,263,133 Ser. 02-1, Class A, 6.681s, 2033

1,100,000 Consumer Credit Reference IDX Securities Ser. 02-1A,
Class A, FRB, 3.87s, 2007

1,713,383 First Plus 144A Ser. 98-A, Class A, 8 1/2s, 2023

385,000 Green Tree Financial Corp. Ser. 95-F, Class B2, 7.1s, 2021

3,539,249 Greenpoint Manufactured Housing Ser. 00-3, Class IA,
8.45s, 2031

1,755,000 LNR CDO, Ltd. Ser. 02-1A, Class FFL, 4.589s, 2037

1,457,253 Madison Avenue Manufactured Housing Contract
Ser. 02-A, Class B1, FRN, 5.09s, 2032

859,828 Mid-State Trust Ser. 10, Class B, 7.54s, 2026

Morgan Stanley Dean Witter Capital I

545,000 Ser. 01-NC3, Class B1, FRN, 4.287s, 2031

2,318,000 Ser. 01-NC4, Class B1, FRN, 4.337s, 2032

890,000 Ser. 02-AM2, Class B1, FRN, 4.09s, 2032

Morgan Stanley Dean Witter Capital I 144A

603,210 Ser. 01-AM1N, Class Note, 12 3/4s, 2032

1,277,602 Ser. 01-NC4N, Class Note, 8 1/2s, 2032

1,505,132 Option One Mortgage Securities Corp. Ser. 02-2A, Class
CFTS, 8.83s, 2032

1,291,918 Option One Mortgage Securities Corp. 144A Ser. 02-1,
Class CTFS, 6 3/4s, 2032

2,490,718 Pass-Through Amortizing Credit Card Trust Ser. 02-1A,
Class A4FL, 7.339s, 2012

544,000 TIAA Commercial Real Estate Securitization Ser. 02-1A,
Class IV, 6.84s, 2037

Total Asset-Backed Securities (cost \$44,360,695)

PREFERRED STOCKS (1.5%) (a)
NUMBER OF SHARES

42,375 AmeriKing, Inc. \$3.25 cum. pfd. (PIK)

43,276 Brand Scaffold Services, Inc. 144A \$3.625 pfd.

62,400 California Federal Bancorp, Inc. Ser. A, \$2.281 pfd.

33,332 Chevy Chase Capital Corp. Ser. A, \$5.188 pfd. (PIK)

3,805 Chevy Chase Savings Bank, Inc. \$3.25 pfd.

340,000 CSBI Capital Trust I 144A company guaranty Ser. A,
11.75% pfd.

28,919 CSC Holdings, Inc. Ser. M, \$11.125 cum. pfd. (PIK)

1,185 Delta Financial Corp. Ser. A, \$10.00 cum. pfd.

69,460 Diva Systems Corp. Ser. C, 6.00% cum. pfd.

20,000 Doane Pet Care Co. \$7.125 pfd.

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1,047 Dobson Communications Corp. 13.00% pfd.
619 Dobson Communications Corp. 12.25% pfd. (PIK)
540 First Republic Capital Corp. 144A 10.50% pfd.
710 Granite Broadcasting Corp. 12.75% cum. pfd. (PIK)
69 Leiner Health Products Ser. C, zero % cum. pfd.
2 Nextel Communications, Inc. Ser. D, 13.00% cum. pfd. (PIK)
1,095 Nextel Communications, Inc. Ser. E, 11.125% pfd. (PIK)
401 Paxson Communications Corp. 13.25% cum. pfd. (PIK)
1,612 Rural Cellular Corp. 12.25% pfd. (PIK)

Total Preferred Stocks (cost \$19,317,214)

BRADY BONDS (1.1%) (a) PRINCIPAL AMOUNT

\$4,051,339 Brazil (Federal Republic of) bonds 8s, 2014
1,065,000 Brazil (Federal Republic of) government guaranty
Ser. 30YR, 3.063s, 2024
1,125,000 Brazil (Federal Republic of) govt. guaranty FRB
3 1/8s, 2012
1,000,000 Central Bank of Nigeria bonds Ser. WW, 6 1/4s, 2020
515,000 Peru (Republic of) coll. FLIRB 4s, 2017
1,650,000 United Mexican States bonds Ser. B, 6 1/4s, 2019
6,285,600 Venezuela (Republic of) debs. FRB Ser. DL, 2 7/8s, 2007

Total Brady Bonds (cost \$12,278,012)

COMMON STOCKS (1.1%) (a) NUMBER OF SHARES

3,074 Alderwoods Group, Inc. (NON)
525 AmeriKing, Inc. (NON)
45,677 Arch Wireless, Inc. (NON)
19,924 Aurora Foods, Inc. (NON)
8,087 Call-Net Enterprises, Inc. Class B (Canada) (NON)
277,865 Celcaribe SA (Colombia) (NON)
3,390,037 Contifinancial Corp. Liquidating Trust Units (NON)
21,241 Covad Communications Group, Inc. 144A (NON)
1,145 Delta Funding Residual Exchange Co., LLC (NON)
1,145 Delta Funding Residual Management, Inc. (NON)
28,440 Doscocil Manufacturing Company, Inc. (NON)
9,649 Genesis Health Ventures, Inc. (NON)
20,238 Intira Corp.
160,000 Loewen Group International, Inc. (NON)
1,250,000 Morrison Knudsen Corp. (NON)
1,330,000 Paracelsus Healthcare Corp. (NON)
39,407 Pioneer Cos., Inc. (NON)
1,186 Premium Holdings (L.P.) 144A
2,502 PSF Holdings LLC Class A
234 Quorum Broadcast Holdings, Inc. Class E (acquired 5/15/01,
cost \$233,502) (RES)
236,020 Regal Entertainment Group 144A (acquired 5/9/02,
cost \$1,872,959) (RES) (NON)
124 RSL Communications, Ltd. Class A (NON)
39,603 Safety Components International, Inc. (NON)
36,750 Specialty Foods Acquisition Corp. (NON)
1,195 Sun Healthcare Group, Inc. (NON)
2,169 Vast Solutions, Inc. Class B1 (NON)
2,169 Vast Solutions, Inc. Class B2 (NON)

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2,169 Vast Solutions, Inc. Class B3 (NON)

1,807 Washington Group Intl., Inc. (NON)

Total Common Stocks (cost \$19,280,249)

CONVERTIBLE BONDS AND NOTES (0.2%) (a)
PRINCIPAL AMOUNT

\$950,000 American Tower Corp. cv. notes 5s, 2010
 690,000 DaVita, Inc. cv. sub. notes 7s, 2009
 1,610,000 Exide Corp. 144A cv. sr. sub. notes 2.9s, 2005 (In default) (NON)
 158,000 Hexcel Corp. cv. sub. notes 7s, 2003
 990,000 Nextel Communications, Inc. cv. sr. notes 5 1/4s, 2010
 150,000 Rogers Communications cv. debs. 2s, 2005 (Canada)

Total Convertible Bonds and Notes (cost \$2,960,193)

CONVERTIBLE PREFERRED STOCKS (0.1%) (a)
NUMBER OF SHARES

218 Anker Coal Group, Inc. 14.25% cv. pfd.
 77 Genesis Health Ventures, Inc. \$6.00 cv. pfd. (PIK)
 847 Hercules Trust II 6 1/2s cum. cv. pfd.
 1,900 Interact Systems, Inc. 144A 14.00% cv. pfd. (In default) (NON)
 6,800 LTV Corp. 144A \$4.125 cv. pfd. (In default) (NON)
 71 Paxson Communications Corp. 144A 9.75% cv. pfd. (PIK)
 9,916 Telex Communications, Inc. zero % cv. pfd. (In default) (NON)
 900 Weirton Steel Corp. Ser. C, zero % cv. pfd.
 1,503 XCL, Ltd. 144A Ser. A, 9.50% cum. cv. pfd. (In default) (NON) (PIK)

Total Convertible Preferred Stocks (cost \$1,734,278)

UNITS (0.1%) (a)
NUMBER OF UNITS

500,000 SOI Funding Corp. 144A units 11 1/4s, 2009
 960,000 XCL, Ltd. 144A units 13 1/2s, 2004 (In default) (NON)
 7,615 XCL, Ltd. 144A units cv. cum. pfd. \$8.08 (In default) (NON) (PIK)

Total Units (cost \$2,035,908)

WARRANTS (--%) (a) (NON)
NUMBER OF WARRANTS

EXPIRATION
DATE

16 Anker Coal Group, Inc. 144A	10/28/0
780 Birch Telecommunications, Inc. 144A (PIK)	6/15/08
810 Club Regina, Inc. 144A	12/1/04
1,420 Dayton Superior Corp.	6/15/09
160 Decrane Aircraft Holdings Co.	9/30/08
2,919 Diva Systems Corp.	5/15/06
8,326 Diva Systems Corp. 144A	3/1/08
11,700 Genesis Health Ventures, Inc.	10/1/02
1,450 Horizon PCS, Inc.	10/1/10
25,863 Imperial Credit Industries, Inc.	8/1/08

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1,900 Interact Systems, Inc.	8/1/03
1,900 Interact Systems, Inc. 144A	12/15/0
1,270 iPCS, Inc. 144A	7/15/10
820 IWO Holdings, Inc.	1/15/11
1,600 Jostens, Inc.	5/1/10
758 Leap Wireless International, Inc. 144A	4/15/10
4,144 Loral Space & Communications, Ltd.	12/27/0
3,590 McCaw International, Ltd.	4/15/07
550 Mikohn Gaming Corp. 144A	8/15/08
560 ONO Finance PLC 144A (United Kingdom)	2/15/11
990 Orbital Imaging Corp. 144A	3/1/05
1,310 Orion Network Systems	1/15/07
1,600 Paxson Communications Corp. 144A	6/30/03
570 Pliant Corp. 144A	6/1/10
680 Sterling Chemicals Holdings	8/15/08
2,987 Sun Healthcare Group, Inc.	2/28/05
630 Telehub Communications Corp. 144A	7/31/05
391 Telex Communications Group, Inc.	3/30/07
690 Travel Centers of America, Inc. 144A	5/1/09
2,310 Ubiquitel, Inc. 144A	4/15/10
5,820 UIH Australia/Pacific, Inc. 144A	5/15/06
22,321 United Artists Theatre	3/2/08
1,190 Veraldo Holdings, Inc. 144A	4/15/08
50 Versatel Telecom NV (Netherlands)	5/15/08
1,116 Washington Group International Ser. A	1/25/06
1,275 Washington Group International Ser. B	1/25/06
689 Washington Group International Ser. C	1/25/06
800 XM Satellite Radio Holdings, Inc. 144A	3/15/10

Total Warrants (cost \$3,068,667)

SHORT-TERM INVESTMENTS (5.1%) (a)
PRINCIPAL AMOUNT

\$39,953,000	Interest in \$500,000,000 joint tri-party repurchase agreement dated July 31, 2002 with Deutsche Bank Alex Brown, Inc. due August 1, 2002 with respect to various U.S. Government obligations -- maturity value of \$39,955,042 for an effective yield of 1.84%
12,907	Short-term investments held as collateral for loaned securities with yields ranging from 1.77% to 2.03% and due dates ranging from August 1, 2002 to September 19, 2002 (d)
5,090,702	Short-term investments held in Putnam commingled cash account with yields ranging from 1.70% to 1.84% and due dates ranging from August 1, 2002 to September 25, 2002 (d)

Total Short-Term Investments (cost \$45,056,602)

Total Investments (cost \$1,013,685,403) (b)

(a) Percentages indicated are based on net assets of \$877,648,717.

(b) The aggregate identified cost on a tax basis is \$1,017,184,455, resulting in gross unrealized appreciation and depreciation of \$27,823,996 and \$147,196,285, respectively, or net unrealized depreciation of \$119,372,289.

(NON) Non-income-producing security.

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- (STP) The interest rate and date shown parenthetically represent the new interest rate to be paid and the date the fund will begin accruing interest at this rate.
- (RES) Restricted, excluding 144A securities, as to public resale. The total market value of restricted securities held at July 31, 2002 was \$39,148,852 or 4.5% of net assets.
- (PIK) Income may be received in cash or additional securities at the discretion of the issuer.
- (DEF) Security is in default of principal and interest.
- (SEG) A portion of this security was pledged and segregated with the custodian to cover margin requirements for futures contracts at July 31, 2002.
- (d) See footnote 1 to the financial statements.
- (R) Real Estate Investment Trust.

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).

FLIRB represents Front Loaded Interest Reduction Bond.

The rates shown on Floating Rate Bonds (FRB) and Floating Rate Notes (FRN) are the current interest rates shown at July 31, 2002, which are subject to change based on the terms of the security.

DIVERSIFICATION BY COUNTRY

Distribution of investments by country of issue at July 31, 2002: (as percentage of Market

Argentina	0.5%
Brazil	0.7
Bulgaria	0.7
Canada	2.6
Germany	2.5
Italy	0.6
Mexico	1.9
New Zealand	0.6
Russia	2.6
Sweden	2.3
United Kingdom	3.8
United States	78.1
Venezuela	0.6
Other	2.5

Total	100.0%

 Forward Currency Contracts to Buy at July 31, 2002
 (aggregate face value \$78,934,074)

Market	Aggregate Face	Delivery	Unrealized Appreciation/
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	Value	Value	Date	(Depreciation)
Australian Dollars	\$23,981,879	\$24,443,984	9/18/02	\$ (462,105)
British Pounds	5,519,858	5,482,309	9/18/02	37,549
Canadian Dollars	4,966,371	5,073,794	9/18/02	(107,423)
Euro	23,474,582	22,824,249	9/18/02	650,333
Japanese Yen	21,221,983	20,582,407	9/18/02	639,576
Swiss Franc	554,284	527,331	9/18/02	26,953
				\$784,883

Forward Currency Contracts to Sell at July 31, 2002
(aggregate face value \$70,692,103)

	Market Value	Aggregate Face Value	Delivery Date	Unrealized Appreciation/ (Depreciation)
British Pounds	\$15,860,505	\$15,194,750	9/18/02	\$ (665,755)
Canadian Dollars	7,967,191	8,021,840	9/18/02	54,649
Danish Krone	833,087	793,973	9/18/02	(39,114)
Euro	20,723,293	21,119,195	9/18/02	395,902
New Zealand Dollars	5,452,715	5,715,952	9/18/02	263,237
Swedish Krona	20,417,640	19,846,393	9/18/02	(571,247)
				\$ (562,328)

Futures Contracts Outstanding at July 31, 2002

	Market Value	Aggregate Face Value	Expiration Date	Unrealized Appreciation/ (Depreciation)
CBT Interest Rate Swap 10 Yr (Long)	\$2,449,500	\$2,380,238	Sep-02	\$69,262
Euro-BOBL 5 Yr (Long)	19,708,312	19,159,349	Sep-02	548,963
Euro BUND 10 Yr (Long)	22,488,472	21,963,056	Sep-02	525,416
Euro Dollar 90 day (Short)	1,950,900	1,917,566	Jun-03	(33,334)
Euro Dollar 90 day (Long)	1,941,500	1,909,134	Sep-03	32,366
Euro Dollar 90 day (Long)	3,182,725	3,178,718	Mar-03	4,007
Euro Dollar 90 day (Short)	3,128,125	3,120,595	Mar-04	(7,530)
Euro Yen 90 day Simex (Long)	9,596,459	9,594,711	Sep-02	1,748
Euro Yen 90 day Simex (Short)	9,590,216	9,581,880	Sep-03	(8,336)
Japanese Government Bonds 10 Yr Tokyo Stock Exchange (Long)	6,982,629	6,943,066	Sep-02	39,563
Japanese Government Bonds 10 Yr Simex (Long)	9,889,218	9,809,448	Sep-02	79,770
LIF Interest Rate				

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Swap 10 Yr (Long)	2,215,497	2,175,422	Sep-02	40,075
US Treasury Bond (Long)	56,782,500	53,771,606	Sep-02	3,010,894
US Treasury Bond (Short)	1,695,000	1,646,856	Sep-02	(48,144)
US Treasury Note 5 Yr (Short)	71,823,609	68,875,166	Sep-02	(2,948,443)
US Treasury Note 10 Yr (Short)	58,733,578	56,025,571	Sep-02	(2,708,007)
US Treasury Note 10 Yr (Long)	7,632,047	7,191,926	Sep-02	440,121
				\$ (961,609)

Swap Contracts Outstanding at July 31, 2002

	Notional Amount	Termination Date	Unrealized Appreciation

Agreement with Merrill Lynch Capital Services dated November 17, 2000 to pay semi-annually the notional amount multiplied by the return of LIBOR-BBA and receive the notional amount multiplied by 6.68%	\$9,000,000	11/21/05	\$908,212

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

STATEMENT OF ASSETS AND LIABILITIES
July 31, 2002

Assets

Investments in securities, at value, including \$11,341 of securities on loan (identified cost \$1,013,685,403) (Note 1)	\$897,812,166
Cash	3,557,898
Foreign currency (cost \$2,094,521)	2,081,106
Dividends, interest and other receivables	18,167,483
Receivable for securities sold	15,745,680
Receivable for open swap contracts (Note 1)	908,212
Receivable for open forward currency contracts (Note 1)	2,013,049

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Receivable for closed forward currency contracts (Note 1)	1,038,489
Total assets	941,324,083
Liabilities	
Payable for variation margin (Note 1)	195,279
Distributions payable to shareholders	6,334,793
Payable for securities purchased	52,970,491
Payable for compensation of Manager (Note 2)	1,627,394
Payable for investor servicing and custodian fees (Note 2)	123,829
Payable for compensation of Trustees (Note 2)	72,193
Payable for administrative services (Note 2)	2,380
Payable for open forward currency contracts (Note 1)	1,790,494
Payable for closed forward currency contracts (Note 1)	425,580
Collateral on securities loaned, at value (Note 1)	12,900
Other accrued expenses	120,033
Total liabilities	63,675,366
Net assets	\$877,648,717
Represented by	
Paid-in capital (Notes 1 and 4)	1,205,220,865
Distributions in excess of net investment income (Note 1)	(9,613,815)
Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(202,314,837)
Net unrealized depreciation of investments and assets and liabilities in foreign currencies	(115,643,496)
Total -- Representing net assets applicable to capital shares outstanding	\$877,648,717
Computation of net asset value and offering price	
Net asset value per share (\$877,648,717 divided by 140,989,259 shares)	\$6.22

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

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STATEMENT OF OPERATIONS
Year ended July 31, 2002

Investment income:

Interest	\$83,253,133
Dividends	2,058,542
Securities lending	678
Total investment income	85,312,353

Expenses:

Compensation of Manager (Note 2)	6,502,446
Investor servicing and custodian fees (Note 2)	843,786
Compensation of Trustees (Note 2)	26,298
Administrative services (Note 2)	14,354
Other	565,873
Total expenses	7,952,757
Expense reduction (Note 2)	(47,633)
Net expenses	7,905,124
Net investment income	77,407,229
Net realized loss on investments (Notes 1 and 3)	(50,238,572)
Net realized loss on foreign currency transactions (Note 1)	(4,243,368)
Net realized loss on futures contracts (Notes 1 and 3)	(939,660)
Net realized gain on written options (Notes 1 and 3)	684
Net unrealized appreciation of assets and liabilities in foreign currencies during the year	3,146,945
Net unrealized depreciation of investments, futures contracts, swap contracts and written options during the year	(13,477,548)
Net loss on investments	(65,751,519)
Net increase in net assets resulting from operations	\$ 11,655,710

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

STATEMENT OF CHANGES IN NET ASSETS

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	Year ended July 31	
	2002	
Decrease in net assets		
Operations:		
Net investment income	\$77,407,229	\$86,1
Net realized loss on investments and foreign currency transactions	(55,420,916)	(48,5
Net unrealized depreciation of investments and assets and liabilities in foreign currencies	(10,330,603)	(21,6
Net increase in net assets resulting from operations	11,655,710	16,0
Distributions to shareholders: (Note 1)		
From net investment income	(74,641,521)	(72,3
From return of capital	(1,490,807)	(15,1
Total decrease in net assets	(64,476,618)	(71,3
Net assets		
Beginning of year	942,125,335	1,013,4
End of year (including distributions in excess of net investment income of \$9,613,815 and \$14,128,356, respectively)	\$877,648,717	\$942,1
Number of fund shares		
Shares outstanding at beginning and end of year	140,989,259	140,9

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 July 31				
	2002	2001	2000	1999	1998
Net asset value, beginning of period	\$6.68	\$7.19	\$7.62	\$8.71	\$8.88
Investment operations:					
Net investment income (a)	.55	.61	.63	.64	.74

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Net realized and unrealized loss on investments	(.47)	(.50)	(.39)	(.99)	(.18)
Total from investment operations	.08	.11	.24	(.35)	.56
Less distributions:					
From net investment income	(.53)	(.51)	(.67)	(.62)	(.66)
From net realized gain on investments	--	--	--	(.12)	(.07)
From return of capital	(.01)	(.11)	--	--	--
Total distributions	(.54)	(.62)	(.67)	(.74)	(.73)
Net asset value, end of period	\$6.22	\$6.68	\$7.19	\$7.62	\$8.71
Total return at market value (%) (b)	4.44	8.56	(1.51)	(7.24)	8.06
Ratios and supplemental data					
Market value, end of period	\$6.03	\$6.29	\$6.38	\$7.19	\$8.50
Net assets, end of period (in thousands)	\$877,649	\$942,125	\$1,013,487	\$1,073,980	\$1,221,188
Ratio of expenses to average net assets (%) (c)	.86	.85	.83	.86	.89
Ratio of net investment income to average net assets (%)	8.39	8.87	8.48	8.05	8.34
Portfolio turnover (%)	175.78 (d)	231.58	133.80	165.79	209.50

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

(b) Total return assumes dividend reinvestment.

(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
July 31, 2002

Note 1

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Significant accounting policies

Putnam Premier Income Trust (the "fund") is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end management investment company. The fund's investment objective is to seek high current income consistent with the preservation of capital by allocating its investments among the U.S. government sector, high yield sector and international sector of the fixed-income securities market.

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 stated at market value, which is determined using the last reported sales price on its principal exchange, or if no sales are reported -- as in the case of some securities traded over-the-counter -- the last reported bid price. Market quotations are not considered to be readily available for certain debt obligations; such investments are stated at fair value on the basis of valuations furnished by an independent pricing service or dealers, approved by the Trustees, which determine valuations for normal institutional-size trading units of such securities using methods based on market transactions for comparable securities and variable 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. 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 stated at amortized cost, which approximates market value. Other investments, including restricted securities, are stated at fair value.

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.

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D) Security transactions and related investment income Security transactions are accounted for 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 recorded on the ex-dividend date except that certain dividends from foreign securities are recorded as soon as the fund is informed of the ex-dividend date. Non-cash dividends, if any, are recorded at the fair market value of the securities received.

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

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 accrued or incurred. The fund does not isolate that portion of realized or unrealized gains or losses resulting from changes in the foreign exchange rate on investments from fluctuations arising from changes in the market prices of the securities. Such gains and losses are included with the net realized and unrealized gain or loss on investments. Net realized gains and losses on foreign currency transactions represent net realized exchange gains or losses on closed forward currency contracts, disposition of foreign currencies 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 engage in 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.

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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 agrees to receive from or pay to the broker 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.

H) Interest rate swap contracts The fund may engage in interest rate swap agreements, which are arrangements between two parties to exchange cash flows based on a notional principal amount. The fund may enter into interest rate swap agreements, to manage the fund's exposure to interest rates. Interest rate swaps 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 included as part of interest income. Payments received or made upon early termination are recorded 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.

I) TBA purchase commitments The fund may enter into "TBA" (to be announced) purchase 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 fluctuate more than 0.01% 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 in 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 their 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.

J) Security lending The fund may lend securities, through its agent Citibank N.A., to qualified borrowers in order to earn additional

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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 Citibank N.A., 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 July 31, 2002, the value of securities loaned amounted to \$11,341. The fund received cash collateral of \$12,900 which is pooled with collateral of other Putnam funds into 33 issuers of high-grade short-term investments.

K) 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 July 31, 2002, the fund had a capital loss carryover of approximately \$154,608,000 available to offset future capital gains, if any. The amount of the carryover and the expiration dates are:

Loss Carryover	Expiration
\$39,893,000	July 31, 2007
44,858,000	July 31, 2008
24,930,000	July 31, 2009
44,927,000	July 31, 2010

L) Distributions to shareholders Distributions to shareholders from net investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. These differences include temporary and permanent differences of losses on wash sale transactions, foreign currency gains and losses, post-October loss deferrals, dividends payable, defaulted bond interest, realized and unrealized gains and losses on certain futures contracts, paydown gains and losses on mortgage-backed securities, 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 July 31, 2002, the fund reclassified \$1,748,833 to decrease distributions in excess of net investment income and \$73,840 to decrease paid-in-capital, with an increase to accumulated net realized losses of \$1,674,993. As of July 31, 2002, the undistributed ordinary income on a tax basis was zero.

Note 2

Management fee, administrative services and other transactions

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

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million, 0.60% of the next \$500 million and 0.55% of any amount over \$1.5 billion.

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 wholly-owned 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 July 31, 2002, the fund's expenses were reduced by \$47,633 under these arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$1,050 has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees receive additional fees for attendance at certain committee meetings.

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

The fund has adopted an unfunded noncontributory defined benefit pension plan (the "Pension Plan") covering all Trustees of the fund who have served as 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 Compensation of Trustees in the Statement of operations. Accrued pension liability is included in Payable for compensation of Trustees in the Statement of assets and liabilities.

Note 3

Purchases and sales of securities

During the year ended July 31, 2002, cost of purchases and proceeds from sales of investment securities other than U.S. government obligations and short-term investments aggregated \$827,496,144 and \$818,094,720, respectively. Purchases and sales of U.S. government obligations aggregated \$1,171,503,408 and \$1,192,922,632, respectively.

Written option transactions during the year are summarized as follows:

	Contract Amounts	Premiums Received

Written options outstanding at beginning of year	1,664,000	\$33,280

Options opened	6,126,048	27,813
Options expired	(6,126,000)	(11,167)
Options closed	(1,664,048)	(49,926)

Written options		

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outstanding at	--	\$--
end of year		

Note 4

Share repurchase program

The Trustees authorized the fund to repurchase up to 7,000,000 of its shares in the open market. Repurchases will only be made when the fund's shares are trading at less than net asset value and at such times and amounts as is believed to be in the best interest of the fund's shareholders. Any repurchases of shares will have the effect of increasing the net asset value per share of remaining shares outstanding. For the year ended July 31, 2002, the fund did not repurchase any shares. As of July 31, 2002, 511,000 shares have been repurchased since the inception of the program.

Note 5

New accounting pronouncement

As required, the fund has adopted the provisions of the AICPA Audit and Accounting Guide, Audits of Investment Companies. This Guide requires that the fund amortize premium and accrete discount on all fixed-income securities, and classify as interest income gains and losses realized on paydowns on mortgage-backed securities. Prior to August 2001, the fund did not amortize premium and accrete discounts for certain fixed income securities and characterized as realized gains and losses paydowns on mortgage-backed securities. Adopting these accounting principles did not affect the fund's net asset value, but did change the classification of certain amounts between interest income and realized and unrealized gain/loss in the Statement of operations. The adoption of this principle was not material to the financial statements.

FEDERAL TAX INFORMATION

(Unaudited)

For the year ended July 31, 2002, a portion of the fund's distribution represents a return of capital and is therefore not taxable to shareholders.

The fund has designated 1.14% of the distributions from net investment income as qualifying for the dividends received deduction for corporations.

The Form 1099 you receive in January 2003 will show the tax status of all distributions paid to your account in calendar 2002.

RESULTS OF JUNE 13, 2002 SHAREHOLDER MEETING

(Unaudited)

An annual meeting of shareholders of the fund was held on June 13, 2002. At the meeting, each of the nominees for Trustees was elected, as follows:

	Votes for	Votes withheld
Jameson Adkins Baxter	129,768,706	2,801,733
Charles B. Curtis	129,666,439	2,904,000
John A. Hill	129,774,247	2,796,192
Ronald J. Jackson	129,780,091	2,790,348

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Paul L. Joskow	129,680,070	2,890,369
Elizabeth T. Kennan	129,766,242	2,804,197
Lawrence J. Lasser	129,775,131	2,795,308
John H. Mullin, III	129,775,921	2,794,518
Robert E. Patterson	129,765,882	2,804,557
George Putnam, III	129,761,292	2,809,147
A.J.C. Smith	129,760,258	2,810,181
W. Thomas Stephens	129,772,971	2,797,468
W. Nicholas Thorndike	129,766,618	2,803,821

All tabulations are rounded to nearest whole number.

TRUSTEES

Name, Address, 1 Date of Birth, Position(s) Held with Fund and Length of Service as a Putnam Fund Trustee 2	Principal Occupation(s) During Past 5 Years	Other Directorships Held by Trustee
Jameson A. Baxter (9/6/43), Trustee since 1994	President, Baxter Associates, Inc. (a management consulting and private investments firm)	Director of ASHTA Chemicals, Inc. Banta Corporation (a printing and digital imaging firm), International Corporation (manufacturer of energy control products), Ryerson Tull, (a steel service corporation), Advocate Health Care, and the National Center for Nonprofit Boards. Chairman Emeritus of the Board of Trustees, Mount Holyoke College. Also held various positions in investment banking corporate finance, including Vice President and principal of the Regency Group and consultant to First Boston Corp.
Charles B. Curtis (4/27/40), Trustee since 2001	President and Chief Operating Officer, Nuclear Threat Initiative (a private foundation dedicated to reducing the threat of weapons of mass destruction), also serves as Senior Advisor to the United Nations Foundation	Member of the Council on Foreign Relations, the Electric Power Research Institute Advisory Council, the Board of Directors of the Gas Technology Institute, the University of Chicago Board of Governors for Argonne National Laboratory, the Board of Directors of the Environment and Natural Resources Program Steering Committee, John F. Kennedy School of Government, Harvard University. Prior to 2002, Mr. Curtis was a member of the Board of Directors of the Gas Technology Institute. Until 2001, Mr. Curtis was a Member of the Department of Defense's Policy Board and Director of EG&G Technical Services, Inc. (fossil

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

Vice-Chairman and
Managing Director,
First Reserve
Corporation
(a registered investment
advisor investing in
companies in the
world-wide energy
industry on behalf of
institutional investors)

research and development support
and prior to May 1997, Mr. Curti
was Deputy Secretary of Energy.

Director of Devon Energy
Corporation (formerly known as
Snyder Oil Corporation),
TransMontaigne Oil Company,
Continuum Health Partners of
New York, Sarah Lawrence College
and various private companies ow
by First Reserve Corporation.
Trustee of TH Lee, Putnam
Investment Trust (a closed-end
investment company). Prior to
acquiring First Reserve in 1983,
Mr. Hill held executive position
with several advisory firms and
various positions with the feder
government, including Associate
Director of the Office of Manage
ment and Budget and Deputy
Director of the Federal Energy
Administration.

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

Private investor

Former Chairman, President, and
Chief Executive Officer of Fische
Price, Inc. (a toy manufacturer)
Previously served as President a
Chief Executive Officer of Strid
Rite, Inc. and Kenner Parker Toy
Also held financial and marketin
positions with General Mills, Pa
Brothers, and Talbots. President
the Kathleen and Ronald J. Jacks
Foundation (charitable trust).
Member of the Board of Overseers
WGBH (public television and radi
Member of the Board of Overseers
the Peabody Essex Museum.

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

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

Director, National Grid Group
(a UK-based holding company
with interests in electric power
natural gas distribution, and
telecommunications networks), an
the Whitehead Institute for
Biomedical Research (a non-profi
research institution). President
Yale University Council. Prior t
February 2002, March 2000, and
September 1998, Dr. Joskow was a
Director of State Farm Indemnity
Company (an automobile insurance
company), Director of New Englan
Electric System (a public utilit
holding company) and a consultan
to National Economic Research
Associates, respectively.

Elizabeth T. Kennan
(2/25/38),

Chairman, Cambus-
Kenneth Bloodstock (a

Director, Northeast Utilities, a
Talbots (a distributor of women'

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Trustee since 1992	limited liability company involved in thoroughbred horse breeding and farming), President Emeritus of Mount Holyoke College	apparel). Trustee of Centre Coll Prior to 2001, Dr. Kennan was a member of the Oversight Committee of Folger Shakespeare Library. Prior to September 2000, June 20 and November 1999, Dr. Kennan was a Director of Chastain Real Estate, Bell Atlantic, and Kentucky Home Life Insurance, respectively. Prior to 1995, Dr. Kennan was a Trustee of Notre Dame University. For 12 years, she was on the faculty of Catholic University.
John H. Mullin, III (6/15/41), Trustee since 1997	Chairman and CEO of Ridgeway Farm (a limited liability company engaged in timber and farming)	Director Alex. Brown Realty, Inc., Sonoco Products, Inc. (a packaging company), The Liberty Corporation (a company engaged in the broadcasting industry), and Progress Energy, Inc. (a utility company, formerly known as Carolina Power & Light). Trustee Emeritus of Washington & Lee University. Prior to October 1997, January 1998, and May 2001, Mr. Mullin was a Director of Dillon, Read and Co. Inc., The Ryland Group, Inc., and Graphic Packaging International Corp., respectively.
Robert E. Patterson (3/15/45), Trustee since 1984	Senior Partner of Cabot Properties, LLP and Chairman of Cabot Properties, Inc.	Chairman of the Joslin Diabetes Center, Trustee of SEA Education Association, and Director of Brandywine Trust Company (a trust company). Prior to February 1998 Mr. Patterson was Executive Vice President and Director of Acquisitions of Cabot Partners Limited Partnership. Prior to December 2001, Mr. Patterson was President and Trustee of Cabot Industrial Trust (publicly traded estate investment trust). Prior to 1990, Mr. Patterson was Executive Vice President of Cabot, Cabot & Forbes Realty Advisors, the predecessor of Cabot Partners, and prior to that was Senior Vice President of the Beal Companies.
W. Thomas Stephens (9/2/42), Trustee since 1997	Corporate Director	Director of Qwest Communications (communications company), Xcel Energy Incorporated (public utility company), TransCanada Pipelines, Norske Canada, Inc. (paper manufacturer) and Mail-Well (printing and envelope company). Prior to July 2001 and October 2001 Mr. Stephens was Chairman of Mail-Well and MacMillan-Bloedel (forestry products company). Prior to 1996 Mr. Stephens was Chairman and

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		Chief Executive Officer of Johns Manville.
W. Nicholas Thorndike (3/28/33), Trustee since 1992	Director of various corporations and charitable organizations, including Courier Corporation (a book manufacturer) and Providence Journal Co. (a newspaper publisher)	Trustee of Northeastern University, Honorary Trustee of Massachusetts General Hospital. Prior to September 2000, April 2000, and December 2001, Mr. Thorndike was a Director of Bradley Real Estate Inc., a Trustee of Eastern Utility Associates, and a Trustee of Cabot Industrial Trust, respectively. Previously served as Chairman of Board and managing partner of Wellington Management/Thorndike Doran Paine & Lewis, and Chairman and Director of Ivest Fund.
Lawrence J. Lasser* (11/1/42), Trustee since 1992 Vice President since 1981	President and Chief Executive Officer of Putnam Investments, LLC, and Putnam Investment Management, LLC	Director of Marsh & McLennan Companies, Inc. and the United Way of Massachusetts Bay. Member of Board of Governors of the Investment Company Institute, Trustee of the Museum of Fine Arts, Boston, a Trustee and Member of the Finance and Executive Committees of Beth Israel Deaconess Medical Center, Boston, and a Member of the CareGroup Board of Managers Investment Committee, the Council on Foreign Relations, and the Commercial Club of Boston.
George Putnam, III* (8/10/51), Trustee since 1984 and President since 2000	President, New Generation Research, Inc. (a publisher of financial advisory and other research services relating to bankrupt and distressed companies) and New Generation Advisers, Inc. (a registered investment adviser)	Director of The Boston Family Office, L.L.C. (registered invest- ment advisor), Trustee of the SEA Education Association, Trustee of St. Mark's School, and Trustee of Shore Country Day School. Previously, Mr. Putnam was an attorney with the firm of Decher Price & Rhoads.
A.J.C. Smith (4/13/34),* Trustee since 1986	Director of Marsh & McLennan Companies, Inc.	Director of Trident Corp. (a limited partnership with over 30 institu- tional investors). Trustee of the Carne- gie Hall Society, the Educational Broadcasting Corporation and the National Museums of Scotland. Chairman of the Central Park Conservancy. Member of the Board of Overseers of the Joan and Sanford I. Weill Graduate School of Medical Sciences of Cornell University. Fellow of the Faculty Actuaries in Edinburgh, the Canadian Institute of Actuaries, the Conference of Actuaries. Associate of the Society of Actuaries Member of the American Actuaries

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the International Actuarial Association and the International Association of Consulting Actuaries. Prior to May 2000 and November 1999, Mr. Smith was Chairman and CEO, respectively, of Marsh & McLennan Companies, Inc.

1 The address of each Trustee is One Post Office Square, Boston, MA 02109. As of July 31, 2002, there were 113 Putnam Funds.

2 Each Trustee serves for an indefinite term, until his or her resignation, 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 or Putnam Retail Management. Messrs. Putnam, III, Lasse Smith are deemed "interested persons" by virtue of their positions as officers or shareholders of the fund, or officers of Putnam Management, Putnam Retail Management, or Marsh & McLennan Companies, the parent company of Putnam Management and Putnam Retail Management. George Putnam, III, is the President of your Fund and each of the other Putnam Funds. Lawrence J. Lasser has been the President and Chief Executive Officer, and a Director of Putnam Investments, LLC, and Putnam Management since having begun his career there in 1969. Mr. Lasser currently also serves as a Director of Marsh & McLennan Companies, Inc., the parent company of Putnam Management. A.J.C. Smith is a Director of Marsh & McLennan Companies, Inc.

OFFICERS

Name, Address, 1 Date of Birth, Position(s) Held with Fund	Inception of Service with the Putnam Funds	Principal Occupation(s) During P
Charles E. Porter (7/26/38), Executive Vice President, Treasurer & Principal Financial Officer	Since 1989	Managing Director, Putnam Invest LLC and Putnam Management
Patricia C. Flaherty (12/1/46), Senior Vice President	Since 1993	Senior Vice President, Putnam Investments, LLC and Putnam Mana
Michael T. Healy (1/24/58), Assistant Treasurer and Principal Accounting Officer	Since 2000	Managing Director, Putnam Investments, LLC
Gordon H. Silver (7/3/47), Vice President	Since 1990	Senior Managing Director, Putnam Investments, LLC and Putnam Mana
Brett C. Browchuk (2/27/63), Vice President	Since 1994	Managing Director, Putnam Invest LLC and Putnam Management
Ian C. Ferguson (7/3/57), Vice President	Since 1997	Senior Managing Director, Putnam Investments, LLC and Putnam Mana
Richard G. Leibovitch	Since 1999	Managing Director of Putnam Inve

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(10/31/63), Vice President

LLC and Putnam Management. Prior
February 1999, Managing Director
J.P. Morgan.

Richard A. Monaghan
(8/25/54),
Vice President

Since 1998

Managing Director, Putnam Invest
LLC, Putnam Management and Putna
Retail Management

John R. Verani
(6/11/39),
Vice President

Since 1988

Senior Vice President, Putnam
Investments, LLC and Putnam Mana

Kevin M. Cronin
(6/13/61),
Vice President

Since 2000

Managing Director of Putnam Mana

Stephen M. Oristaglio
(8/21/55),
Vice President

Since 1998

Senior Managing Director of Putn
Management. Prior to July 1998,
Director, Swiss Bank Corp.

1 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 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

INDEPENDENT ACCOUNTANTS

KPMG LLP

TRUSTEES

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

OFFICERS

George Putnam, III
President

Charles E. Porter
Executive Vice President and Treasurer

Patricia C. Flaherty
Senior Vice President

Michael T. Healy
Assistant Treasurer and
Principal Accounting Officer

Lawrence J. Lasser
Vice President

Gordon H. Silver
Vice President

Ian C. Ferguson
Vice President

Brett C. Browchuk
Vice President

Stephen M. Oristaglio
Vice President

Kevin M. Cronin
Vice President

Richard G. Leibovitch
Vice President

Richard A. Monaghan
Vice President

John R. Verani
Vice President

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

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PUTNAM INVESTMENTS

The Putnam Funds
One Post Office Square
Boston, Massachusetts 02109

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For account balances, economic forecasts, and the latest on Putnam funds, visit
www.putnaminvestments.com

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