

PUTNAM MUNICIPAL OPPORTUNITIES TRUST  
Form N-CSR  
June 28, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: (811 - 07626 )

Exact name of registrant as specified in charter: Putnam Municipal Opportunities Trust

Address of principal executive offices: One Post Office Square, Boston, Massachusetts 02109

Name and address of agent for service: Beth S. Mazor, Vice President  
One Post Office Square  
Boston, Massachusetts 02109

Copy to: John W. Gerstmayr, Esq.  
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One International Place  
Boston, Massachusetts 02110

Registrant's telephone number, including area code: (617) 292-1000

Date of fiscal year end: April 30, 2006

Date of reporting period: May 1, 2005 - April 30, 2006

Item 1. Report to Stockholders:

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

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## What makes Putnam different?

In 1830, Massachusetts Supreme Judicial Court Justice Samuel Putnam established The Prudent Man Rule, a legal foundation for responsible money management.

THE PRUDENT MAN RULE

All that can be required of a trustee to invest is that he shall conduct himself faithfully and exercise a sound discretion. He is to observe how men of prudence, discretion, and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of the capital to be invested.

### A time-honored tradition in money management

Since 1937, our values have been rooted in a profound sense of responsibility for the money entrusted to us.

### A prudent approach to investing

We use a research-driven team approach to seek consistent, dependable, superior investment results over time, although there is no guarantee a fund will meet its objectives.

### Funds for every investment goal

We offer a broad range of mutual funds and other financial products so investors and their financial representatives can build diversified portfolios.

### A commitment to doing what's right for investors

We have stringent investor protections and provide a wealth of information about the Putnam funds.

### Industry-leading service

We help investors, along with their financial representatives, make informed investment decisions with confidence.

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# Putnam Municipal Opportunities Trust

## 4|30|06

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## *Message from the Trustees*

# Dear Fellow Shareholder

In recent months, we have witnessed the continuing vibrancy of the current economic expansion, now in its fifth year. U.S. businesses have seized opportunities available both at home and abroad to generate some of the most impressive profit margins in history, by some measures. During your fund's reporting period, common stocks have traded at higher levels to reflect improving corporate profits. However, the gains have not come without concerns in some quarters of the market about the risks facing the economy. These risks include high energy prices, inflation, and a potential pullback in consumer spending, as well as the potential adverse effects of the Federal Reserve's (the Fed's) series of interest-rate increases. Concerns about inflation, in particular, have been reflected in falling bond prices and rising bond yields, and worries about consumer spending have clouded the outlook for stocks.

You can be assured that the investment professionals managing your fund are closely monitoring the factors that are influencing the performance of the securities in which your fund invests. Moreover, Putnam Investments' management team, under the leadership of Chief Executive Officer Ed Haldeman, continues to focus on investment performance and remains committed to putting the interests of shareholders first.

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In the following pages, members of your fund's management team discuss the fund's performance and strategies for the fiscal period ended April 30, 2006, and provide their outlook for the months ahead. As always, we thank you for your support of the Putnam funds.

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## **Putnam Municipal Opportunities Trust: potential for high current income exempt from federal income tax**

One of the most significant challenges of fixed-income investing is taxes on income. Investing in municipal bonds through a fund such as Putnam Municipal Opportunities Trust can help address this challenge. While the stated yields on municipal bonds are usually lower than those of taxable bonds, the income most of these bonds pay has the advantage of being exempt from federal tax.

Municipal bonds are typically issued by states and local municipalities to raise funds for building and maintaining public facilities. The bonds are backed by either the issuing city or town, by revenues collected from usage fees, or by state tax revenues. Depending on the type of backing, the bonds will have varying degrees of credit risk, which

is the risk that the issuer will not be able to repay the bond.

Many municipal bonds are not rated by independent rating agencies such as Standard & Poor's and Moody's. This is primarily because many issuers decide not to pursue a rating that might be below investment grade. As a result, investment managers must do additional research to determine whether these bonds are prudent investments.

Evaluating a bond's credit risk is one area in which Putnam has particular expertise. Putnam's municipal bond research team analyzes each issue in depth and assigns non-rated bonds an agency-equivalent Putnam rating. This analysis helps the team identify bonds with attractive risk/return profiles among the large number of bonds not rated by agencies.

Once the fund has invested in a bond, the fund's management team continues to monitor developments that affect the overall bond market, the specific sector, and the issuer of the bond. Typically, higher-risk, lower-rated bonds are reviewed more frequently because of their greater potential risk.

## Municipal bonds may finance a range of projects in your community and thus play a key role in its development.

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The goal of the team's research and active management is to stay a step ahead of the industry and pinpoint opportunities to adjust the fund's holdings for the benefit of the fund and its shareholders.

*Capital gains, if any, are taxable for federal and, in most cases, state purposes. For some investors, investment income may be subject to the federal alternative minimum tax. Income from federally exempt funds may be subject to state and local taxes. Please consult with your tax advisor for more information. Mutual funds that invest in bonds are subject to certain risks, including interest-rate risk, credit risk, and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. Leverage can mean higher returns, but adds risk and may increase share price volatility.*

## How do closed-end funds differ from open-end funds?

**More assets at work** While open-end funds must maintain a cash position to meet redemptions, closed-end funds have no such requirement and can keep more of their assets invested in the market.

**Traded like stocks** Closed-end fund shares are traded on stock exchanges, and their market prices fluctuate in response to supply and demand, among other factors.

**Market price vs. net asset value** Like an open-end fund's net asset value (NAV) per share, the NAV of a closed end fund share equals the current value of the fund's assets, minus its liabilities, divided by the number of shares outstanding. However, when buying or selling closed-end fund shares, the price you pay or receive is the market price. Market price reflects current market supply and demand and may be higher or lower than the NAV.

**Strategies for higher income** Closed-end funds have greater flexibility to use strategies such as "leverage" — for example, issuing preferred shares to raise capital, then seeking to invest it at higher rates to enhance return for common shareholders.

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**Putnam Municipal Opportunities Trust** is a leveraged fund that seeks to provide as high a level of current income free from federal income tax as Putnam Management believes is consistent with the preservation of capital. The fund invests in investment-grade and some below-investment grade municipal bonds.

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The fund may be appropriate for investors seeking tax-free income who are willing to accept the risks associated with the use of leverage.

### Highlights

\* For the fiscal year ended April 30, 2006, Putnam Municipal Opportunities Trust returned 3.56% at net asset value and 5.61% at market price.

\* The fund's benchmark, the Lehman Municipal Bond Index, returned 2.15% ..

\* The average return for the fund's Lipper category, General Municipal Debt Funds (leveraged closed-end), was 3.86% .

\* In June 2005, the fund's monthly dividend was reduced. See page 11 for details.

\* Additional fund performance, comparative performance, and Lipper data can be found in the performance section beginning on page 13.

### Performance

It is important to note that a fund's performance at market price may differ from its results at NAV. Although market price performance generally reflects investment results, it may also be influenced by several other factors, including changes in investor perceptions of the fund or its investment advisor, market conditions, fluctuations in supply and demand for the fund's shares, and changes in fund distributions.

Total return for periods ended 4/30/06

Since the fund's inception (5/28/93), average annual return is 6.39% at NAV and 5.09% at market price.

	Average annual return		Cumulative return	
	NAV	Market price	NAV	Market price
10 years	6.49%	5.39%	87.62%	68.98%
5 years	6.82	3.87	39.08	20.93
3 years	6.58	4.60	21.07	14.45
1 year	3.56	5.61	3.56	5.61

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

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## *Report from the fund managers*

# The year in review

Your fund's use of leverage and overall credit quality, coupled with appreciation from several individual holdings, helped it outperform its benchmark during the year, based on its results at NAV. However in comparison to its peers, the fund's overall portfolio quality was higher and its focus on intermediate-maturity bonds heavier, which caused it to slightly lag the average return of funds in its Lipper category. Rising interest rates depressed the price of longer-term bonds, as we had expected, but at a more gradual pace than anticipated, while rates on intermediate-term bonds rose more steeply. Nonetheless, given current market conditions, we believe it is prudent to keep the fund's sensitivity to changing interest rates moderate and its portfolio higher in quality.

## Market overview

Continuing indications of solid economic growth, and the desire to curb the potential inflation that frequently accompanies such growth, prompted the Fed to increase the federal funds rate eight times during the fund's fiscal year, lifting this benchmark rate for overnight loans between banks from 2.75% to 4.75%. Bond yields rose across the maturity spectrum. Short-term rates rose faster than long-term rates, leading to a convergence of shorter- and longer-term rates. As rates converged, the yield curve — a graphical representation of yields for bonds of comparable quality plotted from the shortest to the longest maturity — flattened dramatically.

During the period, tax-exempt bonds generally outperformed comparable Treasury bonds, as prices of tax-exempt bonds declined less than Treasury prices across all maturities. Municipal bonds typically perform better than Treasuries when interest rates are rising. However, the degree to which they outperformed Treasuries during the early months of 2006 was greater than expected.

The strong economy and rising corporate earnings contributed to the strong performance of lower-rated bonds. Among uninsured bonds in general and especially bonds rated Baa and below, yield spreads tightened,

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driven by strong interest among buyers in search of higher yields. Based on favorable legal rulings, prices of tobacco settlement bonds outperformed. Likewise, airline-related industrial development bonds (IDBs) performed exceptionally well over the period.

## Strategy overview

Given our expectation for rising interest rates, we maintained a short (defensive) portfolio duration relative to the fund's peer group, a strategy that contributed positively to results for the period as rates rose. Duration is a measure of a fund's sensitivity to changes in interest rates. Having a shorter-duration portfolio may help protect principal when interest rates rise, but it can reduce appreciation potential when rates fall.

The fund's yield curve positioning, or the maturity profile of its holdings, detracted from performance during the period. In order to keep the fund's duration short, we limited exposure to longer-maturity bonds, favoring intermediate-maturity securities instead. However, as the yield curve flattened and the yield differences between shorter- and longer-term bonds converged, bonds with longer maturities outperformed their shorter-maturity counterparts.

Because your fund concentrates on investment-grade bonds, its underweight position in the lowest-rated bonds during the period, compared to other funds in its peer group, detracted

## Market sector performance

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These indexes provide an overview of performance in different market sectors for the 12 months ended 4/30/06.

### Bonds

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Lehman Municipal Bond Index (tax-exempt bonds)	2.15%
Lehman Aggregate Bond Index (broad bond market)	0.71%
Lehman Government Bond Index (U.S. Treasury and agency securities)	0.25%
JP Morgan Global High Yield Index (global high-yield corporate bonds)	8.88%

### Equities

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S&P 500 Index (broad stock market)	15.42%
Russell 1000 Growth Index (large-company growth stocks)	15.18%
Russell 1000 Value Index (small-company value stocks)	18.30%

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from relative results as securities in this area of the market rallied. As we analyzed lower-rated bonds, we concluded that better relative value existed in bonds rated Baa and higher at this point in the credit cycle, when the narrowing of credit spreads □ or the reduced premium investors stand to receive by investing in lower-rated issues □ appears to be unsupported by credit fundamentals.

We added to the fund's callable bond holdings during the period. Despite this action, however, the fund remained underweight in callable bonds relative to its benchmark, which detracted from results as these bonds generally outperformed over the period. Callable bonds benefited from investor perception that bonds are less likely to be called in a rising-rate environment.

## Your fund's holdings

As the U.S. economy grew during the fiscal year, investors became more comfortable with the risks involved in pursuing higher current income. The resulting demand drove up the prices of lower-quality bonds and caused the spread (or difference in yield) between higher- and lower-quality bonds to narrow. The income advantage typically associated with lower-rated bonds consequently diminished. We gradually raised the fund's overall credit quality and broadened the fund's diversification.

Our emphasis on **tobacco settlement bonds** has been successful. These bonds

### Comparison of the fund's maturity and duration

This chart compares changes in the fund's average effective maturity (a weighted average of the holdings' maturities) and its average effective duration (a measure of its sensitivity to interest-rate changes).

*Average effective duration and average effective maturity take into account put and call features, where applicable, and reflect prepayments for mortgage-backed securities. Duration is usually shorter than maturity because it reflects interest payments on a bond prior to its maturity.*

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generally carry investment-grade ratings. The interest they pay is secured by tobacco companies' settlement obligations to the states, and they generally offer higher yields than bonds of comparable quality. An improving litigation environment has led to higher prices for these bonds and the fund benefited as a result. We also think tobacco settlement bonds provide valuable diversification, since their performance is not as closely tied to the direction of economic growth as are other, more economically sensitive holdings. The fund owns tobacco settlement bonds issued in several states, including California, New Jersey, New York, Rhode Island, South Carolina, Washington, and Wisconsin.

Several of the bonds we selected rose in value as a result of the strong U.S. economy. One of the fund's best performers was issued in **West Virginia** for **Princeton Hospital**. As the hospital gained in financial strength, Standard & Poor's upgraded its outlook for the facility to positive in December of 2005. Moody's Investors Service followed suit in February of 2006, raising its overall outlook for the medical facility from negative to stable. The outlook improvements gave investors more confidence in the bonds, and increased demand drove prices up.

Improving profitability also led to the pre-refunding of two of the fund's holdings, with positive results for the fund. Pre-refunding occurs when an issuer

### **Credit quality overview**

Credit qualities shown as a percentage of portfolio value as of 4/30/06. A bond rated Baa or higher is considered investment grade. The chart reflects Moody's ratings; percentages may include bonds not rated by Moody's but considered by Putnam Management to be of comparable quality. Ratings will vary over time.

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refinances an older, higher-coupon bond by issuing new bonds at current, lower interest rates. The proceeds are then invested in a secure investment — usually U.S. Treasury securities — that matures at the older bond's first call date, effectively raising the bond's perceived rating and shortening its maturity. **New York's Triborough Bridge and Tunnel Authority** pre-refunded some bonds in July 2005, and some **South Carolina Economic Development Authority Palmetto Health** bonds were pre-refunded in December of 2005. The market price of these issues rose; and their maturities are now shorter by 20 years, in the case of the Triborough bonds, and seven years for the Palmetto issues.

The fund has a relatively modest exposure to airline-related IDBs, which rebounded during the latter half of the fiscal year. Rising passenger counts and a recent drop in fuel prices helped improve airlines' balance sheets and many investors rushed to buy the bonds. Your fund's long-term airline-related holdings — bonds issued in New York for **British Airways** and in Texas for **American Airlines** — participated in the rally, but other funds with larger positions benefited to a greater degree. Although we believe airlines are showing signs of stabilization and we are watching the situation carefully, we prefer to wait for more attractive opportunities before increasing the fund's exposure.

To help broaden the fund's diversification, we have been focusing on single-family housing bonds, where rising interest rates and declining mortgage prepayments make the sector seem attractive. We recently purchased single-family mortgage revenue bonds issued by **Michigan State Housing Development Authority**.



*Please note that the holdings discussed in this report may not have been held by the fund for the entire period. Portfolio composition is subject to review in accordance with the fund's investment strategy and may vary in the future.*

## Of special interest

### **Fund's dividend reduced**

A few older holdings were sold or were called during the fiscal year, requiring us to reinvest assets at current, lower interest rates. Furthermore, given the narrowing of the yield spread between higher- and lower-rated municipal bonds, the opportunities for finding relatively high-yielding investments have become more limited, especially in light of our commitment to focusing on sound, creditworthy investments. To reflect the reduction in earnings, the dividend was reduced in June 2005 from \$0.0644 to \$0.0562 per share.

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### **The outlook for your fund**

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

We believe that the Fed's tightening cycle is nearing an end but that rates will continue to rise over the near term. We currently plan to maintain the fund's defensive duration because we believe that the municipal bond market may be susceptible to weaker returns in the coming months. One reason for this belief is the market's unusually strong performance versus taxable equivalents in early 2006.

We believe that the extended rally among lower-rated, higher-yielding bonds is in its final stages. Therefore, we remain cautious with respect to securities at the lower end of the credit spectrum.

We continue to have a positive view of defensive sectors such as single-family housing bonds, which have performed well in recent months. In addition, we remain positive on callable bonds. Our view on tobacco settlement bonds remains positive as we believe that they represent good investment opportunities relative to the inherent risks associated with the sector.

As always, we will continue to search for the most attractive opportunities among tax-exempt securities and work to balance the pursuit of current income with prudent risk management.

*The views expressed in this report are exclusively those of Putnam Management. They are not meant as investment advice.*

*Lower-rated bonds may offer higher yields in return for more risk. Capital gains, if any, are taxable for federal and, in most cases, state purposes. For some investors, investment income may be subject to the federal alternative minimum tax. Income from federally exempt funds may be subject to state and local taxes. Mutual funds that invest in bonds are subject to certain risks, including interest-rate risk, credit risk, and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. The fund uses leverage, which involves risk and may increase the volatility of the fund's net asset value. The fund's shares trade on a stock exchange at market prices, which may be higher or lower than the fund's net asset value.*

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### **Your fund's performance**

This section shows your fund's performance for periods ended April 30, 2006, the end of its fiscal year. In accordance with regulatory requirements for mutual funds, we also include performance for the most recent calendar quarter-end. Performance should always be considered in light of a fund's investment strategy. Data represents past performance. Past performance does not guarantee future results. More recent returns may be

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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.

### Fund performance

Total return for periods ended 4/30/06

	NAV	Market price	Lehman Municipal Bond Index	Lipper General Municipal Debt Funds (leveraged closed-end) category average*
Annual average Life of fund (since 5/28/93)	6.39%	5.09%	5.81%	6.32%
10 years	87.62	68.98	77.30	91.05
Annual average	6.49	5.39	5.89	6.68
5 years	39.08	20.93	30.07	42.73
Annual average	6.82	3.87	5.40	7.34
3 years	21.07	14.45	12.04	21.25
Annual average	6.58	4.60	3.86	6.60
1 year	3.56	5.61	2.15	3.86

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

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

*\* Over the 1-, 3-, 5-, and 10-year periods ended 4/30/06, there were 56, 55, 45, and 39 funds, respectively, in this Lipper category.*

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### Fund price and distribution information

For the 12-month period ended 4/30/06

Distributions □ common shares

Number	12
Income <sup>1</sup>	\$0.6849

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Capital gains <sup>2</sup>	□		
Total	\$0.6849		
Distributions □ preferred shares	Series A (800 shares)	Series B (1,620 shares)	Series C (1,620 shares)
Income <sup>1</sup>	\$1,408.63	\$699.47	\$697.98
Capital gains <sup>2</sup>	□	□	□
Total	\$1,408.63	\$699.47	\$697.98
Share value:	NAV		Market price
4/30/05	\$13.15		\$11.72
4/30/06	12.85		11.68
Current yield (end of period)			
Current dividend rate <sup>3</sup>	5.25%		5.77%
Taxable equivalent <sup>4</sup>	8.08		8.88

1 For some investors, investment income may be subject to the federal alternative minimum tax. Income from federally exempt funds may be subject to state and local taxes.

2 Capital gains, if any, are taxable for federal and, in most cases, state purposes.

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

4 Assumes maximum 35% federal tax rate for 2006. Results for investors subject to lower tax rates would not be as advantageous.

### Fund performance for most recent calendar quarter

Total return for periods ended 3/31/06

	NAV	Market price
Annual average		
Life of fund (since 5/28/93)	6.45%	5.14%
10 years	87.77	73.52
Annual average	6.50	5.67

5 years	37.50	22.92
Annual average	6.58	4.21
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3 years	23.04	18.34
Annual average	7.16	5.77
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1 year	6.04	8.35
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## Your fund's management

Your fund is managed by the members of the Putnam Tax Exempt Fixed-Income Team. David Hamlin is the Portfolio Leader, and Paul Drury, Susan McCormack, and James St. John are Portfolio Members of your fund. The Portfolio Leader and Portfolio Members coordinate the team's management of the fund.

For a complete listing of the members of the Putnam Tax Exempt Fixed-Income Team, including those who are not Portfolio Leaders or Portfolio Members of your fund, visit Putnam's Individual Investor Web site at [www.putnam.com](http://www.putnam.com).

## Fund ownership by the Portfolio Leader and Portfolio Members

The table below shows how much the fund's current Portfolio Leader and Portfolio Members have invested in the fund (in dollar ranges). Information shown is as of April 30, 2006, and April 30, 2005.

	Year	\$0	\$1 - \$10,000	\$10,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$500,000	\$500,001 - \$1,000,000	\$1,000,001 and over
David Hamlin	2006	*						
<i>Portfolio Leader</i>	2005	*						
Paul Drury	2006	*						
<i>Portfolio Member</i>	2005	*						
Susan McCormack	2006	*						
<i>Portfolio Member</i>	2005	*						
James St. John	2006	*						
<i>Portfolio Member</i>	2005	*						

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## Fund manager compensation

The total 2005 fund manager compensation that is attributable to your fund is approximately \$150,000. This amount includes a portion of 2005 compensation paid by Putnam Management to the fund managers listed in this section for their portfolio management responsibilities, calculated based on the fund assets they manage taken as a percentage of the total assets they manage. The compensation amount also includes a portion of the 2005 compensation paid to the Chief Investment Officer of the team and the Group Chief Investment Officer of the fund's broader investment category for their oversight responsibilities, calculated based on the fund assets they oversee taken as a percentage of the total assets they oversee. This amount does not include compensation of other personnel involved in research, trading, administration, systems, compliance, or fund operations; nor does it include non-compensation costs. These percentages are determined as of the fund's fiscal period-end. For personnel who joined Putnam Management during or after 2005, the calculation reflects annualized 2005 compensation or an estimate of 2006 compensation, as applicable.

## Other Putnam funds managed by the Portfolio Leader and Portfolio Members

David Hamlin is the Portfolio Leader and Paul Drury, Susan McCormack, and James St. John are Portfolio Members for Putnam's tax-exempt funds for the following states: Arizona, California, Florida, Massachusetts, Michigan, Minnesota, New Jersey, New York, Ohio, and Pennsylvania. The same group also manages Putnam AMT-Free Insured Municipal Fund, Putnam California Investment Grade Municipal Trust, Putnam High Yield Municipal Trust, Putnam Investment Grade Municipal Trust, Putnam Managed Municipal Income Trust, Putnam Municipal Bond Fund, Putnam New York Investment Grade Municipal Trust, Putnam Tax Exempt Income Fund, Putnam Tax-Free Health Care Fund, and Putnam Tax-Free High Yield Fund.

David Hamlin, Paul Drury, Susan McCormack, and James St. John may also manage other accounts and variable trust funds advised by Putnam Management or an affiliate.

## Changes in your fund's Portfolio Leader and Portfolio Members

Your fund's Portfolio Leader and Portfolio Members did not change during the year ended April 30, 2006.

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## Fund ownership by Putnam's Executive Board

The table below shows how much the members of Putnam's Executive Board have invested in the fund (in dollar ranges). Information shown is as of April 30, 2006, and April 30, 2005.

	Year	\$0	\$1 - \$10,000	\$10,001 - \$50,000	\$50,001 - \$100,000	\$100,001 and over
Philippe Bibi	2006	*				
<i>Chief Technology Officer</i>	2005	*				
Joshua Brooks	2006	*				
<i>Deputy Head of Investments</i>	2005	*				
William Connolly	2006	*				
<i>Head of Retail Management</i>	N/A					

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Kevin Cronin	2006	*
<i>Head of Investments</i>	2005	*
Charles Haldeman, Jr.	2006	*
<i>President and CEO</i>	2005	*
Amrit Kanwal	2006	*
<i>Chief Financial Officer</i>	2005	*
Steven Krichmar	2006	*
<i>Chief of Operations</i>	2005	*
Francis McNamara, III	2006	*
<i>General Counsel</i>	2005	*
Richard Robie, III	2006	*
<i>Chief Administrative Officer</i>	2005	*
Edward Shadek	2006	*
<i>Deputy Head of Investments</i>	2005	*
Sandra Whiston	2006	*
<i>Head of Institutional Management</i>	N/A	

N/A indicates the individual was not a member of Putnam's Executive Board as of 4/30/05.

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## Terms and definitions

### Important terms

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

Net asset value (NAV) is the value of all your fund's assets, minus any liabilities and the net assets allocated to any outstanding 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 exchanges such as the New York Stock Exchange and the American Stock Exchange.

### **Comparative indexes**

JP Morgan Global High Yield Index is an unmanaged index of global high-yield fixed-income securities.

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

Lehman Government Bond Index is an unmanaged index of U.S. Treasury and agency securities. Lehman Municipal Bond Index is an unmanaged index of long-term fixed-rate investment-grade tax-exempt bonds.

Russell 1000 Growth Index is an unmanaged index of those companies in the large-cap Russell 1000 Index chosen for their growth orientation.

Russell 1000 Value Index is an unmanaged index of those companies in the large-cap Russell 1000 Index chosen for their value orientation.

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

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

Lipper is a third-party industry-ranking entity that ranks mutual funds. Its rankings do not reflect sales charges. Lipper rankings are based on total return at net asset value relative to other funds that have similar current investment styles or objectives as determined by Lipper. Lipper may change a fund's category assignment at its discretion. Lipper category averages reflect performance trends for funds within a category.

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## **Trustee approval of management contract**

### **General conclusions**

The Board of Trustees of the Putnam funds oversees the management of each fund and, as required by law, determines annually whether to approve the continuance of your fund's management contract and administrative services contract with Putnam Management. In this regard, the Board of Trustees, with the assistance of its Contract Committee consisting solely of Trustees who are not "interested persons" (as such term is defined in the Investment Company Act of 1940, as amended) of the Putnam funds (the "Independent Trustees"), requests and evaluates all information it deems reasonably necessary under the circumstances. Over the course of several months beginning in March and ending in June 2005, the Contract Committee met five times to consider the information provided by Putnam Management and other information developed with the assistance of the Board's independent counsel and independent staff. The Contract Committee reviewed and discussed key aspects of this information with all of the Independent Trustees. Upon completion of this review, the Contract Committee recommended and the Independent Trustees approved the continuance of your fund's management contract and administrative services contract, effective July 1, 2005.

This approval was based on the following conclusions:

\* That the fee schedule currently in effect for your fund (which includes fees paid under the administrative services contract), subject to certain changes noted below, represents reasonable compensation in light of the nature and quality of the services being provided to the fund, the fees paid by competitive funds and the costs incurred by Putnam Management in providing such services, and

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

These conclusions were based on a comprehensive consideration of all information provided to the Trustees and were not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations and how the Trustees considered these factors are described below, although individual Trustees may have evaluated the information presented differently, giving different weights to various factors. It is also important to recognize that the fee arrangements for your fund and the other Putnam funds are the result of many years of review and discussion between the Independent Trustees and Putnam Management, that certain aspects of such arrangements may receive greater scrutiny in some years than others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements in prior years.

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## **Model fee schedules and categories; total expenses**

The Trustees' review of the management fees and total expenses of the Putnam funds focused on three major themes:

\* Consistency. The Trustees, working in cooperation with Putnam Management, have developed and implemented a series of model fee schedules for the Putnam funds designed to ensure that each fund's management fee is consistent with the fees for similar funds in the Putnam family of funds and compares favorably with fees paid by competitive funds sponsored by other investment advisors. Under this approach, each Putnam fund is assigned to one of several fee categories based on a combination of factors, including competitive fees and perceived difficulty of management, and a common fee schedule is implemented for all funds in a given fee category. The Trustees reviewed the model fee schedules then in effect for the Putnam funds, including fee levels and breakpoints, and the assignment of each fund to a particular fee category under this structure. (Breakpoints refer to reductions in fee rates that apply to additional assets once specified asset levels are reached.)

Since their inception, Putnam's closed-end funds have generally had management fees that are higher than those of Putnam's open-end funds pursuing comparable investment strategies. These differences ranged from five to 20 basis points. The Trustees have reexamined this matter and recommended that these differences be conformed to a uniform five basis points. At a meeting on January 13, 2006, the Trustees approved an amended management and administrative services contract for your fund to memorialize the arrangements agreed to in June 2005. Under the new fee schedule, the fund pays a quarterly management fee to Putnam Management at the lower of the following rates:

(a) 0.35% of the fund's average net assets  
(including assets attributable to both common and preferred shares)

or

(b) 0.45% of the first \$500 million of the fund's average net assets  
(including assets attributable to both common and preferred shares);  
0.35% of the next \$500 million;  
0.30% of the next \$500 million;  
0.25% of the next \$5 billion;  
0.225% of the next \$5 billion;  
0.205% of the next \$5 billion;  
0.19% of the next \$5 billion; and  
0.18% thereafter.

Your fund's separate administrative services contract provides for quarterly payment of fees to Putnam Management at the annual rate of 0.20% of the fund's average net assets (including assets attributable to both common and preferred shares).



Based on net asset levels as of June 2005, the new fee schedule for your fund will result in lower combined management and administrative services fees paid by common shareholders. The Trustees approved the new fee schedules for the funds effective as of January 1, 2006, in order to provide Putnam Management an opportunity to accommodate the impact on revenues in its budget process for the coming year.

\* **Competitiveness.** The Trustees also reviewed comparative fee and expense information for competitive funds, which indicated that, in a custom peer group of competitive funds selected by Lipper Inc., your fund ranked in the 57th percentile in management fees and in the 64th percentile in total expenses as of December 31, 2004 (the first percentile being the least expensive funds and the 100th percentile being the most expensive funds). The Trustees expressed their intention to monitor this information closely to ensure that fees and expenses of the Putnam funds continue to meet evolving competitive standards.

\* **Economies of scale.** The Trustees concluded that the fee schedule currently in effect for your fund, which as of January 1, 2006, reflects the changes noted above, represents an appropriate sharing of economies of scale at current asset levels. The Trustees examined the existing breakpoint structure of the Putnam funds' management fees in light of competitive industry practices. The Trustees considered various possible modifications to the Putnam funds' current breakpoint structure, but ultimately concluded that the current breakpoint structure continues to serve the interests of fund shareholders. Accordingly, the Trustees continue to believe that the fee schedules currently in effect for the funds, taking into account the changes noted above, represent an appropriate sharing of economies of scale at current asset levels.

In connection with their review of the management and administrative services fees and total expenses of the Putnam funds, the Trustees also reviewed the costs of the services to be provided and profits to be realized by Putnam Management and its affiliates from the relationship with the funds. This information included trends in revenues, expenses and profitability of Putnam Management and its affiliates relating to the investment management and distribution services provided to the funds. In this regard, the Trustees also reviewed an analysis of Putnam Management's revenues, expenses and profitability with respect to the funds' management contracts, allocated on a fund-by-fund basis.

## **Investment performance**

The quality of the investment process provided by Putnam Management represented a major factor in the Trustees' evaluation of the quality of services provided by Putnam Management under your fund's management contract. The Trustees were assisted in their review of the funds' investment process and performance by the work of the Investment Oversight Committees of the Trustees, which meet on a regular monthly basis with the funds' portfolio teams throughout the year. The Trustees concluded that Putnam Management generally provides a high-quality investment process — as measured by the experience and skills of the individuals assigned to the

management of fund portfolios, the resources made available to such personnel, and in general the ability of Putnam Management to attract and retain high-quality personnel — but also recognize that this does not guarantee favorable investment results for every fund in every time period. The Trustees considered the investment performance of each fund over multiple time periods and considered information comparing the fund's performance with various benchmarks and with the performance of competitive funds. The Trustees noted the satisfactory investment performance of many Putnam funds. They also noted the disappointing investment performance of certain funds in recent years and continued to discuss with senior management of Putnam Management the factors contributing to such underperformance and actions being taken to improve performance. The Trustees recognized that, in recent years, Putnam Management has made significant changes in its investment personnel and processes and in the fund product line to address areas of underperformance. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these changes and to evaluate whether additional remedial changes are warranted.

In the case of your fund, the Trustees considered that your fund's common share cumulative total return performance at net asset value was in the following percentiles of its Lipper Inc. peer group (Lipper General

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Municipal Debt Funds (leveraged closed-end)) (compared using tax-adjusted performance to recognize the different federal income tax treatment for capital gains distributions and exempt-interest distributions) for the one-, three- and five-year periods ended December 31, 2004 (the first percentile being the best-performing funds and the 100th percentile being the worst-performing funds):

One-year period	Three-year period	Five-year period
36th	56th	57th

(Because of the passage of time, these performance results may differ from the performance results for more recent periods shown elsewhere in this report. Over the one-, three-, and five-year periods ended December 31, 2004, there were 65, 56, and 51 funds, respectively, in your fund's Lipper peer group.\* Past performance is no guarantee of future performance.)

As a general matter, the Trustees believe that cooperative efforts between the Trustees and Putnam Management represent the most effective way to address investment performance problems. The Trustees believe that investors in the Putnam funds have, in effect, placed their trust in the Putnam organization, under the oversight of the funds' Trustees, to make appropriate decisions regarding the management of the funds. Based on the responsiveness of Putnam Management in the recent past to Trustee concerns about investment performance, the Trustees believe that it is preferable to seek change within Putnam Management to address performance shortcomings. In the Trustees' view, the alternative of terminating a management contract and

*\* The percentile rankings for your fund's common share annualized total return performance in the Lipper General Municipal Debt Funds (leveraged closed-end) category for the one-, five-, and ten-year periods ended March 31, 2006, were 70%, 66%, and 61%, respectively. Over the one-, five-, and ten-year periods ended March 31, 2006, the fund ranked 43rd out of 61, 31st out of 46, and 25th out of 40 funds, respectively. Note that this more recent information was not available when the Trustees approved the continuance of your fund's management contract.*

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engaging a new investment advisor for an underperforming fund would entail significant disruptions and would not provide any greater assurance of improved investment performance.

### **Brokerage and soft-dollar allocations; other benefits**

The Trustees considered various potential benefits that Putnam Management may receive in connection with the services it provides under the management contract with your fund. These include principally benefits related to brokerage and soft-dollar allocations, whereby a portion of the commissions paid by a fund for brokerage is earmarked to pay for research services that may be utilized by a fund's investment advisor, subject to the obligation to seek best execution. The Trustees believe that soft-dollar credits and other potential benefits associated with the allocation of fund brokerage, which pertains mainly to funds investing in equity securities, represent assets of the funds that should be used for the benefit of fund shareholders. This area has been marked by significant change in recent years. In July 2003, acting upon the Contract Committee's recommendation, the Trustees directed that allocations of brokerage to reward firms that sell fund shares be discontinued no later than December 31, 2003. In addition, commencing in 2004, the allocation of brokerage commissions by Putnam Management to acquire research services from third-party service providers has been significantly reduced, and continues at a modest level only to acquire research that is customarily not available for cash. The Trustees will continue to monitor the allocation of the funds' brokerage to ensure that the principle of "best price and execution" remains paramount in the portfolio trading process.

The Trustees' annual review of your fund's management and administrative services contracts also included the review of your fund's custodian and investor servicing agreements, which provide benefits to Putnam Fiduciary Trust Company, an affiliate of Putnam Management.

### **Comparison of retail and institutional fee schedules**

The information examined by the Trustees as part of their annual contract review has included for many years information regarding fees charged by Putnam Management and its affiliates to institutional clients such as defined benefit pension plans, college endowments, etc. This information included comparison of such fees with fees charged to the funds, as well as a detailed assessment of the differences in the services provided to these two types of clients. The Trustees observed, in this regard, that the differences in fee rates between institutional clients and the mutual funds are by no means uniform when examined by individual asset sectors, suggesting that differences in the pricing of investment management services to these types of clients reflect to a substantial degree historical competitive forces operating in separate market places. The Trustees considered the fact that fee rates across all asset sectors are higher on average for mutual funds than for institutional clients, as well as the differences between the services that Putnam Management provides to the Putnam funds and those that it provides to institutional clients of the firm, but have not relied on such comparisons to any significant extent in concluding that the management fees paid by your fund are reasonable.

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## **Other information for shareholders**

### **Important notice regarding share repurchase program**

In October 2005, the Trustees of your fund authorized Putnam Investments to implement a repurchase program on behalf of your fund, which would allow your fund to repurchase up to 5% of its outstanding shares over the 12 months ending October 6, 2006. In March 2006, the Trustees approved an increase in this repurchase program to allow the fund to repurchase a total of up to 10% of its outstanding shares over the same period.

### **Putnam's policy on confidentiality**

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

### **Proxy voting**

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2005, are available on the Putnam Individual Investor Web site, [www.putnam.com/individual](http://www.putnam.com/individual), and on the SEC's Web site, [www.sec.gov](http://www.sec.gov). If you have questions about finding forms on the SEC's Web site, you may call the SEC at 1-800-SEC-0330. You may also obtain the Putnam funds' proxy voting guidelines and procedures at no charge by calling Putnam's Shareholder Services at 1-800-225-1581.

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### **Fund portfolio holdings**

The fund will file a complete schedule of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Shareholders may obtain the fund's Forms N-Q on the SEC's Web site at [www.sec.gov](http://www.sec.gov). In

addition, the fund's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. You may call the SEC at 1-800-SEC-0330 for information about the SEC's Web site or the operation of the Public Reference Room.

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## Financial statements

### A guide to financial statements

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

The fund's portfolidists 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 liquidation preference of preferred shares.)

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

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

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

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## Report of Independent Registered Public Accounting Firm

To the Trustees and Shareholders  
of Putnam Municipal Opportunities Trust:

In our opinion, the accompanying statement of assets and liabilities, including the fund's portfolio, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Putnam Municipal Opportunities Trust at April 30, 2006, and the results of its operations, the changes in its net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We

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conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of investments owned at April 30, 2006, by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
 Boston, Massachusetts  
 June 12, 2006  
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### The fund's portfolio as of 4/30/06

#### Key to abbreviations

AMBAC AMBAC Indemnity Corporation	GNMA Coll. Government National Mortgage
COP Certificate of Participation	Association Collateralized
FGIC Financial Guaranty Insurance Company	G.O. Bonds General Obligation Bonds
FHA Insd. Federal Housing Administration Insured	IFB Inverse Floating Rate Bonds
FHLMC Coll. Federal Home Loan Mortgage	MBIA MBIA Insurance Company
Corporation Collateralized	PSFG Permanent School Fund Guaranteed
FNMA Coll. Federal National Mortgage Association	U.S. Govt. Coll. U.S. Government Collateralized
Collateralized	VRDN Variable Rate Demand Notes
FRN Floating Rate Notes	XLCA XL Capital Assurance
FSA Financial Security Assurance	

#### MUNICIPAL BONDS AND NOTES (157.4%)\*

	Rating **	Principal amount	Value
Alabama (0.2%)			
Sylacauga, Hlth. Care Auth. Rev. Bonds (Coosa Valley Med. Ctr.), Ser. A, 6s, 8/1/25	B/P	\$ 400,000	\$ 410,224
Arizona (1.4%)			
AZ Hlth. Fac. Auth. Hosp. Syst. Rev. Bonds (John C. Lincoln Hlth. Network), 6 3/8s, 12/1/37 (Prerefunded)	BBB	750,000	859,283
Casa Grande, Indl. Dev. Auth. Rev. Bonds (Casa Grande Regl. Med. Ctr.), Ser. A, 7 5/8s, 12/1/29	B+/P	950,000	1,049,674
Cochise Cnty., Indl. Dev. Auth. Rev. Bonds (Sierra Vista Cmnty. Hosp.), Ser. A, 6 3/4s, 12/1/26	BB+/P	465,000	479,782
Pima Cnty., Indl Dev. Auth. Rev. Bonds			

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(Horizon Cmnty. Learning Ctr.), 5.05s, 6/1/25	BBB□	500,000	476,435
			2,865,174

Arkansas (1.3%)

Independence Cnty., Poll. Control Rev. Bonds (Entergy, Inc.), 5s, 1/1/21	A□	1,000,000	1,005,530
Northwest Regl. Arpt. Auth. Rev. Bonds, 7 5/8s, 2/1/27 (Prerefunded)	BB/P	1,000,000	1,082,790
Washington Cnty., Hosp. Rev. Bonds (Regl. Med. Ctr.)			
Ser. A, 5s, 2/1/35	Baa2	250,000	244,020
Ser. B, 5s, 2/1/25	Baa2	250,000	251,388
			2,583,728

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MUNICIPAL BONDS AND NOTES (157.4%)\* *continued*

	Rating **	Principal amount	Value
California (26.8%)			
CA State G.O. Bonds			
5 1/8s, 4/1/23	A2	\$ 500,000	\$ 520,585
5.1s, 2/1/34	A2	750,000	759,705
5s, 5/1/22	A2	4,000,000	4,137,600
CA State Dept. of Wtr. Resources			
Rev.Bonds, Ser. A			
6s, 5/1/15 (Prerefunded)	Aaa	2,000,000	2,252,140
AMBAC, 5 1/2s, 5/1/16 (Prerefunded)	Aaa	2,000,000	2,198,960
CA State Econ. Recvy. G.O. Bonds, Ser. A, 5s, 7/1/16	Aa3	1,000,000	1,039,540
CA State Pub. Wks. Board Rev. Bonds (Dept. of Hlth. Svcs. Richmond Laboratory),			
Ser. B, XLCA, 5s, 11/1/22	Aaa	1,810,000	1,875,051
CA Statewide Cmnty. Dev. Auth. COP (The Internext Group), 5 3/8s, 4/1/30			
	BBB	1,750,000	1,744,068
Cathedral City, Impt. Board Act of 1915 Special Assmt. Bonds (Cove Impt. Dist.),			
Ser. 04-02, 5.05s, 9/2/35	BB+/P	250,000	246,965
Chula Vista COP, MBIA, 5s, 8/1/32	Aaa	4,000,000	4,094,680
Chula Vista Rev. Bonds (San Diego Gas), Ser. B, 5s, 12/1/27			
	A1	575,000	586,126
Gilroy, Rev. Bonds (Bonfante Gardens Park), 8s, 11/1/25			
	B□/P	576,000	468,386
Golden State Tobacco Securitization Corp. Rev. Bonds, Ser. 03 A-1, 5s, 6/1/21			
	BBB	750,000	754,755
Metro. Wtr. Dist. FRN (Southern CA Wtr.			

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Works), 2.637s, 8/10/18	AA+	3,000,000	3,000,000
Metro. Wtr. Dist. IFB (Southern CA			
Waterworks), 8.542s, 8/10/18	AA+	3,000,000	3,740,760
Roseville, Cmnty. Fac. Special Tax (Dist. No. 1			
-Westpark), 5 1/4s, 9/1/25	BB/P	875,000	882,639
Sacramento, Special Tax (North Natomas			
Cmnty. Fac.), Ser. 97-01, 5s, 9/1/29	BB/P	1,190,000	1,172,198
Sacramento, City Unified School Dist. G.O. Bonds			
(Election 1999), Ser. D, FSA, 5s, 7/1/28	Aaa	2,000,000	2,059,280
San Bernardino Cnty., COP (Med. Ctr. Fin.),			
Ser. A, MBIA, 6 1/2s, 8/1/17	Aaa	5,000,000	5,819,250
San Diego Cnty., Certificates			
of Participation, AMBAC			
5 5/8s, 9/1/12	Aaa	6,000,000	6,400,500
5 1/2s, 9/1/07	Aaa	6,000,000	6,153,240
San Jose, Redev. Agcy. Tax Alloc. Bonds (Merged Area			
Redev. Project), MBIA, 5s, 8/1/32	Aaa	2,500,000	2,545,950
Sunnyvale, Cmnty. Fac. Dist. Special Tax Rev. Bonds,			
7.65s, 8/1/21	BB□/P	770,000	827,380
Vallejo, COP (Marine World Foundation), 7.2s, 2/1/26	BBB□/P	1,300,000	1,348,490
			54,628,248

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MUNICIPAL BONDS AND NOTES (157.4%)\* *continued*

	Rating **	Principal amount	Value
Delaware (0.7%)			
GMAC Muni. Mtge. Trust 144A sub. notes,			
Ser. A1-2, 4.9s, 10/31/39	A3	\$ 1,500,000	\$ 1,512,435
District of Columbia (9.2%)			
DC G.O. Bonds, Ser. A, 6s, 6/1/26 (Prerefunded) #	A+	12,450,000	13,002,282
DC Wtr. & Swr. Auth. Pub. Util. Rev. Bonds, FGIC,			
5s, 10/1/28	Aaa	5,550,000	5,694,855
			18,697,137
Florida (3.0%)			
FL Hsg. Fin. Corp. Rev. Bonds (Homeowner Mtge.),			
Ser. 5, 5s, 7/1/34	Aa2	920,000	937,103
Highlands Cnty., Hlth. Fac. Auth. Rev. Bonds			
(Adventist Hlth.), Ser. A, 5s, 11/15/21	A+	250,000	256,478
Lee Cnty., Incl. Dev. Auth. Rev. Bonds (Alliance			
Cmnty.), Ser. C, 5 1/2s, 11/15/29	BBB□	1,000,000	993,580

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Miami Beach, Hlth. Fac. Auth. Hosp. Rev. Bonds (Mount Sinai Med. Ctr.), Ser. A, 6.8s, 11/15/31	Ba1	500,000	551,950
Reunion West, Cmnty. Dev. Dist. Special Assmt. Bonds, 6 1/4s, 5/1/36	BBB/P	800,000	834,920
St. Lucie Cnty., School Board COP (Master Lease), Ser. A, FSA, 5s, 7/1/26	Aaa	1,965,000	2,038,177
Tern Bay, Cmnty. Dev. Dist. Rev. Bonds, Ser. B, 5s, 5/1/15	BBB/P	400,000	398,568
Tolomato, Cmnty. Dev. Dist. Special Assmt. Bonds 5.4s, 5/1/37	BBB/P	150,000	150,371
			6,161,147

Georgia (6.6%)

Atlanta, Arpt. Rev. Bonds, Ser. B, FGIC, 5 5/8s, 1/1/30	Aaa	3,000,000	3,130,800
Atlanta, Wtr. & Waste Wtr. Rev. Bonds, FSA, 5s, 11/1/24	Aaa	4,000,000	4,139,880
Atlanta, Wtr. & Waste Wtr. VRDN, Ser. C, FSA, 3.8s, 11/1/41	VMIG1	1,000,000	1,000,000
Burke Cnty., Poll. Control Dev. Auth. Mandatory Put Bonds (GA Power Co.), 4.45s, 12/1/08	A2	1,500,000	1,521,840
Effingham Cnty., Inhl. Dev. Auth. Rev. Bonds (Pacific Corp.), 6 1/2s, 6/1/31	B2	900,000	927,657
Rockdale Cnty., Dev. Auth. Solid Waste Disp. Rev. Bonds (Visay Paper, Inc.), 7.4s, 1/1/16	B+/P	1,110,000	1,111,243
Savannah, Econ. Dev. Auth. Poll. Control Rev. Bonds (Intl. Paper Co.), Ser. A, 5.1s, 8/1/14	BBB	1,500,000	1,527,165
			13,358,585

Hawaii (0.7%)

HI State Hsg. & Cmnty. Dev. Corp. Rev. Bonds (Single Fam. Mtge.), Ser. B, 3.7s, 1/1/22	Aaa	895,000	883,553
HI State Hsg. Fin. & Dev. Corp. Rev. Bonds, Ser. A, FNMA Coll., 5 3/4s, 7/1/30	Aaa	440,000	443,168
			1,326,721

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MUNICIPAL BONDS AND NOTES (157.4%)\* *continued*

	Rating **	Principal amount	Value
Idaho (0.4%)			
ID Hsg. & Fin. Assn. Rev. Bonds (Single Fam. Mtge.), Ser. C-2, FHA Insd., 5.15s, 7/1/29	Aaa	\$ 750,000	\$ 761,265



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Illinois (3.7%)

IL Hsg. Dev. Auth. Multi-Fam. Hsg. Rev. Bonds, Ser. 91-A, 8 1/4s, 7/1/16	A1	5,790,000	5,804,533
Metropolitan Pier & Exposition Auth. Rev. Bonds (McCormack Place Expansion Project), MBIA, 5s, 12/15/28	Aaa	1,770,000	1,821,118 7,625,651

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Indiana (7.4%)

Carmel Clay, Indl. Parks Bldg. Corp. Rev. Bonds, MBIA, 5s, 1/15/26	Aaa	2,000,000	2,066,840
Fairfield, School Bldg. Corp. Ind. Rev. Bonds, FGIC, 5s, 7/15/24	Aaa	3,000,000	3,096,510
GCS School Bldg. Corp. Rev. Bonds (First Mtg.), FSA, 5s, 7/15/26	Aaa	1,000,000	1,026,180
IN Hlth. Fac. Fin. Auth. Rev. Bonds (Cmnty. Hosp.), Ser. A, AMBAC, 5s, 5/1/24	Aaa	2,695,000	2,783,692
IN State Dev. Fin. Auth. Env. Impt. Rev. Bonds (USX Corp.), 5.6s, 12/1/32	Baa1	2,100,000	2,158,695
Indianapolis, Arpt. Auth. Rev. Bonds (Federal Express Corp.), 5.1s, 1/15/17	Baa2	2,500,000	2,566,225
Rockport, Poll. Control Mandatory Put Bonds (Indiana Michigan Pwr. Co.), Ser. C, 2 5/8s, 10/1/06	Baa2	1,300,000	1,289,535 14,987,677

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Iowa (1.2%)

IA Fin. Auth. Hlth. Care Fac. Rev. Bonds (Care Initiatives), 9 1/4s, 7/1/25	BBB□/P	970,000	1,151,021
IA State Higher Ed. Loan Auth. 5s, 10/1/22	BBB□/F	605,000	599,628
IA State Higher Ed. Loan Auth. Rev. Bonds (Wartburg), Ser. A, 5s, 10/1/21	BBB□/F	605,000	603,040 2,353,689

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Louisiana (0.7%)

LA Local Govt. Env. Fac. Cmnty. Dev. Auth. Rev. Bonds (St. James Place), Ser. A, 7s, 11/1/20	B□/P	950,000	964,659
LA Pub. Fac. Auth. Rev. Bonds (Pennington Med. Foundation), 5s, 7/1/16	A3	350,000	365,127 1,329,786

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Maine (0.3%)

Rumford, Solid Waste Disp. Rev. Bonds (Boise Cascade Corp.), 6 7/8s, 10/1/26	Ba2	600,000	651,384
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Maryland (0.2%)

MD State Hlth. & Higher Edl. Fac. Auth. Rev. Bonds (Peninsula Regl. Med. Ctr.), 5s, 7/1/16	A2	325,000	343,824
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MUNICIPAL BONDS AND NOTES (157.4%)\* *continued*

	Rating **	Principal amount	Value
Massachusetts (2.6%)			
MA State Hlth. & Edl. Fac. Auth. Rev. Bonds (UMass Memorial), Ser. C, 6 1/2s, 7/1/21	Baa2	\$ 1,875,000	\$ 2,044,950
(Berkshire Hlth. Syst.), Ser. E, 6 1/4s, 10/1/31	BBB+	1,300,000	1,373,437
(Hlth. Care Syst. Covenant Hlth.), Ser. E, 6s, 7/1/31	A	1,800,000	1,937,196
			5,355,583

Michigan (7.2%)

Detroit, G.O. Bonds, Ser. A, FGIC, 5s, 7/1/30	Aaa	4,500,000	4,604,400
Detroit, Swr. Disp. VRDN, Ser. B, FSA, 3.8s, 7/1/33	VMIG1	4,460,000	4,460,000
MI Higher Ed. Fac. Auth. Rev. Bonds (Kalamazoo College), 5 1/2s, 12/1/18	A1	500,000	530,515
MI State Hosp. Fin. Auth. Rev. Bonds (Oakwood Hosp.), Ser. A, 5 3/4s, 4/1/32	A2	1,000,000	1,043,920
MI State Hsg. Dev. Auth. Rev. Bonds, Ser. A, 3.9s, 6/1/30	Aaa	1,200,000	1,190,388
MI State Strategic Fund, Ltd. Rev. Bonds (Worthington Armstrong Venture), U.S. Govt. Coll., 5 3/4s, 10/1/22 (Prerefunded)	AAA/P	1,650,000	1,834,520
Midland Cnty., Econ. Dev. Corp. Rev. Bonds, 6 3/4s, 7/23/09	B	1,000,000	1,001,810
			14,665,553

Minnesota (2.0%)

Cohasset, Poll. Control Rev. Bonds (Allete, Inc.), 4.95s, 7/1/22	A	3,000,000	3,003,780
MN State Hsg. Fin. Agcy. Rev. Bonds (Res. Hsg.), Ser. B, 5s, 7/1/34	A1	645,000	664,202
St. Paul, Hsg. & Redev. Auth. Hosp. Rev. Bonds (Hlth. East), 6s, 11/15/25	Baa3	450,000	485,910
			4,153,892

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Mississippi (1.1%)

MS Bus. Fin. Corp. Poll. Control Rev. Bonds

(Syst. Energy Resources, Inc.)

5.9s, 5/1/22	BBB□	1,000,000	1,009,600
5 7/8s, 4/1/22	BBB□	580,000	584,634
MS Home Corp. Rev. Bonds (Single Fam. Mtge.), Ser. B-2, GNMA Coll., FNMA Coll., 6.45s, 12/1/33	Aaa	665,000	694,885
			2,289,119

Missouri (4.5%)

Cape Girardeau Cnty., Indl. Dev. Auth. Hlth. Care

Fac. Rev. Bonds (St. Francis Med. Ctr.), Ser. A,

5 1/2s, 6/1/16

A+ 1,750,000 1,861,545

MO State Hlth. & Edl. Fac. Auth. Rev. Bonds

(Washington U.), Ser. A, 5s, 2/15/33

AAA 2,500,000 2,567,800

MO State Hlth. & Edl. Fac. Auth. VRDN (Cox Hlth.

Syst.), AMBAC, 3.8s, 6/1/22

VMIG1 3,360,000 3,360,000

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MUNICIPAL BONDS AND NOTES (157.4%)\* *continued*

Rating \*\* Principal amount Value

Missouri *continued*

MO State Hsg. Dev. Comm. Mtge. Rev. Bonds

(Single Fam. Homeowner Loan)

Ser. C-1, GNMA Coll., FNMA Coll., 7.15s, 3/1/32

AAA \$ 715,000 \$ 740,197

Ser. C, GNMA Coll., FNMA Coll., 5.6s, 9/1/35

AAA 600,000 634,692

9,164,234

Montana (1.7%)

Forsyth, Poll. Control Mandatory Put Bonds

(Avista Corp.), AMBAC, 5s, 12/30/08

Aaa 1,075,000 1,102,617

Forsyth, Poll. Control VRDN (Pacific Corp.),

3.8s, 1/1/18

P□1 2,400,000 2,400,000

3,502,617

Nevada (5.1%)

Clark Cnty., G.O. Bonds (Pk. & Regl. Justice Ctr.),

FGIC, 5 5/8s, 11/1/19 (Prerefunded)

Aaa 3,505,000 3,725,429

Clark Cnty., Arpt. Rev. Bonds, Ser. A-2, FGIC,

5 1/8s, 7/1/26

Aaa 5,000,000 5,200,800

Clark Cnty., Impt. Dist. Special Assmt. (Summerlin

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No. 151), 5s, 8/1/25 Henderson, Local Impt. Dist. Special Assmt. Bonds	BB/P	700,000	683,879
(No. T-16), 5 1/8s, 3/1/25	BB□/P	200,000	198,434
(No. T-16), 5.1s, 3/1/21	BB□/P	310,000	308,701
(No. T-17), 5s, 9/1/25	BB□/P	175,000	172,219
			10,289,462

New Hampshire (1.8%)

NH Higher Edl. & Hlth. Fac. Auth. Rev. Bonds (Riverwoods at Exeter), Ser. A, 6 1/2s, 3/1/23	BB+/P	1,450,000	1,477,478
Ser. 05, 6 3/8s, 1/1/27	BBB□	765,000	783,781
Ser. 05, 6 3/8s, 1/1/27 (Prerefunded)	BBB□	270,000	279,928
NH Higher Edl. & Hlth. Facs. Auth. Rev. Bonds (NH College), 6 3/8s, 1/1/27 (Prerefunded)	BBB□	215,000	222,906
NH State Bus. Fin. Auth. Poll. Control Rev. Bonds, 3 1/2s, 7/1/27	Baa2	950,000	918,916
			3,683,009

New Jersey (7.0%)

Casino Reinvestment Dev. Auth. Rev. Bonds, Ser. A, MBIA, 5 1/4s, 6/1/18	Aaa	1,150,000	1,220,702
Newark, Hsg. Auth. Rev. Bonds (Port Auth. Newark Marine Terminal), MBIA, 5 1/4s, 1/1/20	Aaa	1,000,000	1,063,400
NJ Econ. Dev. Auth. Rev. Bonds (Cigarette Tax), 5 3/4s, 6/15/29	Baa2	1,500,000	1,591,665
(Motor Vehicle), Ser. A, MBIA, 5s, 7/1/27	Aaa	2,000,000	2,077,240
NJ State Edl. Fac. Auth. Rev. Bonds (Rowan U.), Ser. C, MBIA, 5s, 7/1/23	Aaa	1,840,000	1,921,310

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MUNICIPAL BONDS AND NOTES (157.4%)\* *continued*

	Rating **	Principal amount	Value
<i>New Jersey continued</i>			
Passaic Cnty., Impt. Auth. Lease Rev. Bonds (Preakness Hlth. Care Ctr.), AMBAC			
5s, 5/1/25	Aaa	\$ 2,505,000	\$ 2,598,687
5s, 5/1/24	Aaa	2,385,000	2,475,988
Tobacco Settlement Fin. Corp. Rev. Bonds, 6 3/4s, 6/1/39	BBB	1,150,000	1,283,170
			14,232,162

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New Mexico (0.4%)

NM Mtge. Fin. Auth. Rev. Bonds (Single Fam. Mtge.),

Ser. C, GNMA Coll., FNMA Coll., FHLMC Coll.,

5.82s, 9/1/33 AAA 860,000 896,662

New York (11.6%)

Buffalo, G.O. Bonds, Ser. D, FGIC, 5 1/2s, 12/15/13 Aaa 1,000,000 1,077,350

Long Island, Pwr. Auth. NY Elec. Syst. Rev. Bonds,  
Ser. A, U.S. Govt. Coll., 5 3/4s, 12/1/24 (Prerefunded) AAA 750,000 786,630

Niagara Cnty., Indl. Dev. Agcy. Rev. Bonds, Ser. C,  
5 5/8s, 11/15/24 Baa3 500,000 525,465

NY City, G.O. Bonds, Ser. C, 5 1/4s, 8/1/11 A1 3,000,000 3,185,850

NY City, City Transitional Fin. Auth. Rev. Bonds,  
AMBAC, 5 1/4s, 8/1/15 Aaa 1,000,000 1,064,990

NY City, Hsg. Dev. Corp. Rev. Bonds, Ser. A, FGIC,  
5s, 7/1/25 Aaa 500,000 518,950

NY City, Indl. Dev. Agcy. Rev. Bonds  
(Liberty-7 World Trade Ctr.), Ser. A, 6 1/4s, 3/1/15 B□/P 400,000 421,908

(Brooklyn Navy Yard Cogen. Partners), 6.2s, 10/1/22 BBB□ 750,000 789,503

NY City, Indl. Dev. Agcy. Special Arpt. Fac. Rev.  
Bonds (Airis JFK I LLC), Ser. A, 5 1/2s, 7/1/28 Baa3 2,100,000 2,148,048

NY City, Indl. Dev. Agcy. Special Fac. Rev. Bonds  
(British Airways PLC), 5 1/4s, 12/1/32 Ba2 700,000 637,112

NY Cntys., Tobacco Trust III Rev. Bonds  
(Tobacco Settlement), 6s, 6/1/43 BBB 1,500,000 1,566,615

NY State Dorm. Auth. Rev. Bonds, Ser. A,  
5 1/2s, 3/15/13 AAA 2,000,000 2,183,500

NY State Energy Research & Dev. Auth. Gas Fac.  
Rev. Bonds (Brooklyn Union Gas), 6.952s, 7/1/26 A+ 2,000,000 2,049,100

NY State Hwy. Auth. Rev. Bonds (Hwy. & Bridge  
Trust Fund), Ser. B, FGIC, 5s, 4/1/17 Aaa 1,500,000 1,588,845

Onondaga Cnty., Indl. Dev. Agcy. Rev. Bonds (Solvay  
Paperboard, LLC), 7s, 11/1/30 (acquired 06/30/04,  
cost \$827,862) □ BB/P 800,000 836,632

Port. Auth. NY & NJ Special Oblig. Rev. Bonds (JFK  
Intl. Air Term. - 6), MBIA, 5.9s, 12/1/17 Aaa 1,500,000 1,573,650

Triborough Bridge & Tunnel Auth. Rev.  
Bonds, Ser. A

5s, 1/1/32 (Prerefunded) Aa2 2,125,000 2,255,900

5s, 1/1/32 Aa2 375,000 383,693  
23,593,741

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MUNICIPAL BONDS AND NOTES (157.4%)\* *continued*

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	Rating **	Principal amount	Value
North Carolina (0.8%)			
NC State Muni. Pwr. Agcy. Rev. Bonds (No. 1, Catawba Elec.), Ser. B, 6 1/2s, 1/1/20	A3	\$ 1,500,000	\$ 1,634,055
Ohio (6.7%)			
Cleveland, G.O. Bonds, Ser. A, AMBAC, 5s, 10/1/15	Aaa	2,185,000	2,330,150
Cleveland, Muni. School Dist. G.O. Bonds, FSA, 5s, 12/1/27	Aaa	5,700,000	5,910,558
Coshocton Cnty., Env. Rev. Bonds (Smurfit-Stone Container Corp.), 5 1/8s, 8/1/13	CCC+	500,000	481,080
Field, Local School Dist. G.O. Bonds (School Fac. Construction & Impt.), AMBAC, 5s, 12/1/25	Aaa	1,355,000	1,415,257
Montgomery Cnty., Hosp. Rev. Bonds (Kettering Med. Ctr.), 6 3/4s, 4/1/22 (Prerefunded)	A2	1,000,000	1,116,800
Rickenbacker, Port Auth. Rev. Bonds (OASBO Expanded Asset Pooled), Ser. A, 5 3/8s, 1/1/32	A2	2,165,000	2,334,022
			13,587,867
Oklahoma (0.5%)			
OK Dev. Fin. Auth. Rev. Bonds (Hillcrest Hlth. Care Syst.), Ser. A, U.S. Govt. Coll., 5 5/8s, 8/15/29 (Prerefunded)	Aaa	950,000	1,011,684
Pennsylvania (8.2%)			
Allegheny Cnty., Hosp. Dev. Auth. Rev. Bonds (Pittsburgh Mercy Hlth. Syst. ), AMBAC, 5 5/8s, 8/15/26 (Prerefunded)	Aaa	5,000,000	5,123,150
Beaver Cnty., Indl. Dev. Auth. Poll. Control Mandatory Put Bonds (Cleveland Elec.), 3 3/4s, 10/1/08	Baa2	1,350,000	1,343,817
Bucks Cnty., Indl. Dev. Auth. Retirement Cmnty. Rev. Bonds (Ann[s Choice, Inc.), Ser. A, 5.3s, 1/1/14	BB/P	460,000	455,690
Carbon Cnty., Indl. Dev. Auth. Rev. Bonds (Panther Creek Partners), 6.65s, 5/1/10	BBB□	690,000	725,915
Hempfield, Area School Dist. G.O. Bonds (Westmoreland Cnty.), Ser. A, FGIC, 5 1/4s, 3/15/21	Aaa	4,000,000	4,293,520
Lancaster Cnty., Hosp. Auth. Rev. Bonds (Gen. Hosp.), 5 1/2s, 3/15/26	A+	1,500,000	1,575,810
Lehigh Cnty., Gen. Purpose Auth. Rev. Bonds (Lehigh Valley Hosp. Hlth. Network), Ser. A, 5 1/4s, 7/1/32	A1	1,000,000	1,021,810
PA State Econ. Dev. Fin. Auth. Resource Recvy. Rev. Bonds (Northampton Generating), Ser. A, 6.6s, 1/1/19	B+	700,000	688,681

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Sayre, Hlth. Care Fac. Auth. Rev. Bonds (Guthrie Hlth.), Ser. A, 5 7/8s, 12/1/31	A□	1,450,000	1,534,361 16,762,754
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Rhode Island (0.1%) Tobacco Settlement Fin. Corp. Rev. Bonds, Ser. A, 6 1/4s, 6/1/42	BBB	200,000	209,752
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MUNICIPAL BONDS AND NOTES (157.4%)\* *continued*

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	Rating **	Principal amount	Value
South Carolina (6.0%)			
Lexington Cnty. Hlth. Svcs. Dist. Inc. Hosp. Rev. Bonds, 5 1/2s, 5/1/37	A2	\$ 750,000	\$ 784,515
SC Jobs Econ. Dev. Auth. Hosp. Fac. Rev. Bonds (Palmetto Hlth.), Ser. C, 6s, 8/1/20 (Prerefunded)	Baa1	1,110,000	1,243,167
(Palmetto Hlth.), Ser. C, 6s, 8/1/20	Baa1	140,000	150,697
SC State Pub. Svcs. Auth. Rev. Bonds, Ser. A, AMBAC, 5s, 1/1/29	Aaa	5,000,000	5,156,900
SC Tobacco Settlement Rev. Mgt. Rev. Bonds, Ser. B, 6 3/8s, 5/15/30	BBB	2,135,000	2,385,457
SC Trans. Infrastructure Bk. Rev. Bonds, Ser. A, AMBAC, 5s, 10/1/27	Aaa	2,460,000	2,552,225 12,272,961

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South Dakota (0.5%)			
SD Edl. Enhancement Funding Corp. Rev. Bonds, Ser. B, 6 1/2s, 6/1/32	BBB	450,000	488,808
SD Hsg. Dev. Auth. Rev. Bonds (Home Ownership Mtge.), Ser. J, 4 1/2s, 5/1/17	AAA	500,000	504,620 993,428

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Tennessee (1.6%)			
Johnson City, Hlth. & Edl. Fac. Board Hosp. Rev. Bonds (First Mtge. □ Mountain States Hlth.), Ser. A, 7 1/2s, 7/1/33	BBB+	2,750,000	3,188,873

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Texas (10.6%)			
Bexar Cnty., Hlth. Fac. Dev. Corp. Rev. Bonds (St. Luke□s Hlth. Syst.), FSA, 6.1s, 11/15/23 (Prerefunded)	Aaa	4,000,000	4,104,080

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Edgewood, Indpt. School Dist. Bexar Cnty. G.O. Bonds, Ser. A, PSFG, 5s, 2/15/26	Aaa	2,020,000	2,088,256
El Paso, Indpt. School Dist. G.O. Bonds, Ser. A, PSFG, 5 1/4s, 8/15/21	AAA	2,345,000	2,490,320
Gateway, Pub. Fac. Corp. Rev. Bonds (Stonegate Villas Apt.), FNMA Coll., 4.55s, 7/1/34	Aaa	750,000	763,268
Harris Cnty., Hlth. Fac. Dev. Corp. Hosp. Rev. Bonds (Memorial Hermann Hlth. Care Syst.), Ser. A, 5 1/4s, 12/1/18	A2	610,000	641,793
McKinney, Indpt. School Dist. G.O. Bonds, PSFG, 5 1/4s, 2/15/20	Aaa	3,185,000	3,396,994
Sabine River Auth. Rev. Bonds (TXU Electric), Ser. C, 5.2s, 5/1/28	Baa2	1,500,000	1,524,720
San Antonio Wtr. Rev. Bonds, Ser. A, FSA, 5s, 5/15/32	Aaa	2,000,000	2,041,700
Snyder, Indpt. School Dist. G.O. Bonds (School Bldg.), AMBAC, 5 1/4s, 2/15/25	AAA	1,280,000	1,360,384
Tomball, Hosp. Auth. Rev. Bonds (Tomball Regl. Hosp.), 6s, 7/1/29	Baa3	2,000,000	2,096,880
TX State Dept. of Hsg. & Cmnty. Affairs Rev. Bonds (Single Fam.), Ser. B, FSA, 4 1/4s, 9/1/26	Aaa	990,000	985,941
			21,494,336

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MUNICIPAL BONDS AND NOTES (157.4%)\* *continued*

	Rating **	Principal amount	Value
Utah (1.0%)			
Salt Lake City, Hosp. Rev. Bonds, AMBAC, 6 3/4s, 5/15/20 (Prerefunded)	AAA	\$ 2,000,000	\$ 2,003,480

Virginia (2.0%)

Fredericksburg, Indl. Dev. Auth. Rev. Bonds (Medicorp Hlth. Syst.), Ser. B, 5 1/8s, 6/15/33	A3	500,000	504,805
Front Royal & Warren Cnty., Indl. Dev. Auth. Lease Rev. Bonds (School Cap. Impt.), Ser. B, FSA, 5s, 4/1/29	Aaa	2,500,000	2,580,650
Henrico Cnty. Econ. Dev. Auth. Rev. Bonds (United Methodist), Ser. A, 6.7s, 6/1/27	BB+/P	1,000,000	1,045,900
			4,131,355

Washington (5.8%)

Chelan Cnty. Dev. Corp. Rev. Bonds (Alcoa), 5.85s, 12/1/31	A2	4,000,000	4,047,000
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King Cnty., G.O. Bonds, Ser. C, 6 1/4s, 1/1/32	AAA	2,250,000	2,330,618
Tobacco Settlement Auth. of WA Rev. Bonds, 6 1/2s, 6/1/26	BBB	1,230,000	1,339,544
WA State G.O. Bonds (Motor Vehicle Fuel), Ser. B, MBIA, 5s, 7/1/24	Aaa	4,000,000	4,151,720
			11,868,882

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West Virginia (0.6%)			
Princeton, Hosp. Rev. Bonds (Cmnty. Hosp. Assn., Inc.), 6.1s, 5/1/29	B2	1,300,000	1,292,044

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Wisconsin (4.2%)			
Badger Tobacco Settlement Asset Securitization Corp. Rev. Bonds			
7s, 6/1/28	BBB	2,600,000	2,870,935
6 3/8s, 6/1/32	BBB	2,500,000	2,679,475
WI Hsg. & Econ. Dev. Auth. Rev. Bonds (Home Ownership), Ser. D, 4 7/8s, 3/1/36	Aa2	500,000	512,580
WI State Hlth. & Edl. Fac. Auth. Rev. Bonds (Wheaton Franciscan), 5 3/4s, 8/15/30	A2	2,400,000	2,521,968
			8,584,958

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TOTAL INVESTMENTS			
Total investments (cost \$309,595,646)			\$ 320,459,138

\* Percentages indicated are based on net assets of \$203,548,252.

\*\* The Moody's, Standard & Poor's, or Fitch's ratings indicated are believed to be the most recent ratings available at April 30, 2006 for the securities listed. Ratings are generally ascribed to securities at the time of issuance. While the agencies may from time to time revise such ratings, they undertake no obligation to do so, and the ratings do not necessarily represent what the agencies would ascribe to these securities at April 30, 2006. Securities rated by Putnam are indicated by [P]. Securities rated by Fitch are indicated by [F]. Ratings are not covered by the Report of Independent Registered Public Accounting Firm.

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[R] Restricted, excluding 144A securities, as to public resale. The total market value of restricted securities held at April 30, 2006 was \$836,632 or 0.4% of net assets.

# A portion of this security was pledged and segregated with the custodian to cover margin requirements for futures contracts at April 30, 2006.

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

The rates shown on VRDN, Mandatory Put Bonds and Floating Rate Notes (FRN) are the current interest rates at April 30, 2006.

The dates shown on Mandatory Put Bonds are the next mandatory put dates.

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*Inverse Floating Rate Bonds (IFB) are securities that pay interest rates that vary inversely to changes in the market interest rates. As interest rates rise, inverse floaters produce less current income. The interest rates shown are the current interest rates at April 30, 2006.*

*The fund had the following industry group concentrations greater than 10% at April 30, 2006 (as a percentage of net assets):*

<i>Utilities</i>	29.4%
<i>Health care</i>	29.0
<i>Transportation</i>	11.4

*The fund had the following insurance concentrations greater than 10% at April 30, 2006 (as a percentage of net assets):*

<i>AMBAC</i>	23.6%
<i>FGIC</i>	16.2
<i>FHA</i>	15.7
<i>FSA</i>	14.9
<i>MBIA</i>	13.9

### FUTURES CONTRACTS OUTSTANDING at 4/30/06

	Number of contracts	Value	Expiration date	Unrealized appreciation
U.S. Treasury Note 10 yr (Short)	45	\$4,751,016	Jun-06	\$10,464

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

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## Statement of assets and liabilities 4/30/06

### ASSETS

Investment in securities, at value (Note 1):	
Unaffiliated issuers (identified cost \$309,595,646)	\$320,459,138
Cash	452,651
Interest and other receivables	5,188,753
Receivable for securities sold	110,000
<b>Total assets</b>	<b>326,210,542</b>

### LIABILITIES

Payable for variation margin (Note 1)	7,734
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Distributions payable to shareholders	990,441
Accrued preferred shares distribution payable (Note 1)	44,060
Payable for compensation of Manager (Note 2)	437,279
Payable for investor servicing and custodian fees (Note 2)	16,387
Payable for Trustee compensation and expenses (Note 2)	42,744
Payable for administrative services (Note 2)	2,741
Other accrued expenses	120,904
Total liabilities	1,662,290
Series A remarketed preferred shares: 800 shares authorized and issued at \$50,000 per share (Note 4)	40,000,000
Series B and C remarketed preferred shares: 3,240 shares authorized and issued at \$25,000 per share (Note 4)	81,000,000
Net assets applicable to common shares outstanding	\$203,548,252
REPRESENTED BY	
Paid-in capital <input type="checkbox"/> common shares (Unlimited shares authorized) (Notes 1 and 5)	\$215,018,203
Distributions in excess of net investment income (Note 1)	(574,397)
Accumulated net realized loss on investments (Note 1)	(21,769,510)
Net unrealized appreciation of investments	10,873,956
Total <input type="checkbox"/> Representing net assets applicable to common shares outstanding	\$203,548,252
COMPUTATION OF NET ASSET VALUE	
Net asset value per common share (\$203,548,252 divided by 15,846,380 shares)	\$12.85

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

**Statement of operations** Year ended 4/30/06

INTEREST INCOME	\$16,544,181
<hr/>	
EXPENSES	
<hr/>	
Compensation of Manager (Note 2)	2,057,455
<hr/>	
Investor servicing fees (Note 2)	105,176
<hr/>	
Custodian fees (Note 2)	117,534
<hr/>	
Trustee compensation and expenses (Note 2)	27,318
<hr/>	
Administrative services (Note 2)	20,050
<hr/>	
Preferred share remarketing agent fees	306,259
<hr/>	
Other	252,716
<hr/>	
Total expenses	2,886,508
<hr/>	
Expense reduction (Note 2)	(69,344)
<hr/>	
Net expenses	2,817,164
<hr/>	
Net investment income	13,727,017
<hr/>	
Net realized loss on investments (Notes 1 and 3)	(323,269)
<hr/>	
Net realized gain on futures contracts (Note 1)	102,300
<hr/>	
Net unrealized depreciation of investments and futures contracts during the year	(4,528,961)
<hr/>	
Net loss on investments	(4,749,930)
<hr/>	
Net increase in net assets resulting from operations	\$ 8,977,087
<hr/>	
DISTRIBUTIONS TO SERIES A, B, AND C REMARKETED PREFERRED SHAREHOLDERS: (NOTE 1)	
<hr/>	
From tax exempt income	(3,386,182)
<hr/>	
From ordinary income	(4,590)
<hr/>	

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Net increase in net assets resulting from operations  
(applicable to common shareholders) \$ 5,586,315

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

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## Statement of changes in net assets

### INCREASE (DECREASE) IN NET ASSETS

	Year ended 4/30/06	Year ended 4/30/05
<i>Operations:</i>		
Net investment income	\$ 13,727,017	\$ 14,727,475
Net realized loss on investments	(220,969)	(1,461,140)
Net unrealized appreciation (depreciation) of investments	(4,528,961)	9,639,649
Net increase in net assets resulting from operations	8,977,087	22,905,984
DISTRIBUTIONS TO SERIES A, B, AND C REMARKETED PREFERRED SHAREHOLDERS: (NOTE 1)		
From tax exempt income	(3,386,182)	(1,889,278)
From ordinary income	(4,590)	(2,396)
Net increase in net assets resulting from operations (applicable to common shareholders)	5,586,315	21,014,310
DISTRIBUTIONS TO COMMON SHAREHOLDERS: (NOTE 1)		
From tax exempt income	(10,949,703)	(14,049,514)
From ordinary income	(36,789)	(30,696)
Decrease from shares repurchased (Note 5)	(3,556,826)	□
Total increase (decrease) in net assets	(8,957,003)	6,934,100
NET ASSETS		
Beginning of year	212,505,255	205,571,155

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End of year (including distributions in excess of net investment income of \$574,397 and undistributed net investment income of \$104,131, respectively) \$203,548,252 \$212,505,255

NUMBER OF FUND SHARES

Common shares outstanding at beginning of year	16,157,092	16,157,092
Shares repurchased (Note 5)	(310,712)	□
Common shares outstanding at end of year	15,846,380	16,157,092
Remarketed preferred shares outstanding at beginning and end of year	4,040	4,040

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

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

PER-SHARE OPERATING PERFORMANCE

	4/30/06	4/30/05	Year ended		4/30/02
			4/30/04	4/30/03	
Net asset value, beginning of period (common shares)	\$13.15	\$12.72	\$12.98	\$13.00	\$13.00
<i>Investment operations:</i>					
Net investment income (a)	.86	.91	1.00	1.09	1.16
Net realized and unrealized gain (loss) on investments	(.30)	.51	(.24)	(.10)	(.10)
Total from investment operations	.56	1.42	.76	.99	1.06
<i>Distributions to preferred shareholders:</i>					
From net investment income	(.21)	(.12)	(.07)	(.10)	(.15)
Total from investment operations (applicable to common shareholders)	.35	1.30	.69	.89	.91
<i>Distributions to common shareholders:</i>					
From net investment income	(.68)	(.87)	(.95)	(.91)	(.91)

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Total distributions	(.68)	(.87)	(.95)	(.91)	(.91)
Increase from shares repurchased	.03	□	□	□	□
Net asset value, end of period (common shares)	\$12.85	\$13.15	\$12.72	\$12.98	\$13.00
Market price, end of period (common shares)	\$11.68	\$11.72	\$12.47	\$12.48	\$12.50
Total return at market price (%) (common shares) (b)	5.61	.82	7.49	7.35	(1.57)

RATIOS AND SUPPLEMENTAL DATA

Net assets, end of period (common shares) (in thousands)	\$203,548	\$212,505	\$205,571	\$209,697	\$210,081
Ratio of expenses to average net assets %(c,d)	1.37	1.40	1.37	1.41	1.43
Ratio of net investment income to average net assets %(d)	4.92	6.15	7.05	7.65	7.63
Portfolio turnover (%)	10.74	29.51	19.19	12.30	20.84

(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) Ratios reflect net assets available to common shares only; net investment income ratio also reflects reduction for dividend payments to preferred shareholders.

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

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## Notes to financial statements 4/30/06

### Note 1: Significant accounting policies

Putnam Municipal Opportunities 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 as high a level of current income exempt from federal income tax as Putnam Investment Management, LLC

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(Putnam Management), the fund's manager, an indirect wholly-owned subsidiary of Putnam, LLC believes is consistent with the preservation of capital. The fund intends to achieve its objective by investing in a portfolio of investment grade and some below investment-grade municipal bonds selected by Putnam Management.

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

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

A) Security valuation Tax-exempt bonds and notes are generally valued on the basis of valuations provided by an independent pricing service approved by the Trustees. Such services use information with respect to transactions in bonds, quotations from bond dealers, market transactions in comparable securities and various relationships between securities in determining value. Other investments are valued at fair value following procedures approved by the Trustees. Such valuations and procedures are reviewed periodically by the Trustees.

B) Security transactions and related investment income Security transactions are recorded on the trade date (the 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. 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, any remaining premium is amortized to maturity.

C) 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, or for other investment purposes. The fund may also write options on swaps or 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. Risks may exceed amounts recognized on the statement of assets and liabilities. 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. If a written call option is exercised, the premium originally received is recorded as an addition to sales proceeds. If a written put option is exercised, the premium originally received is recorded as a reduction to the cost of investments.

Futures contracts are valued at the quoted daily settlement prices established by the exchange on

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

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



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At April 30, 2006, the fund had a capital loss carryover of \$21,134,594 available to the extent allowed by tax law to offset future net capital gain, if any. The amount of the carryover and the expiration dates are:

Loss Carryover	Expiration
\$2,526,324	April 30, 2008
1,503,027	April 30, 2009
2,243,569	April 30, 2010
3,588,009	April 30, 2011
8,885,378	April 30, 2012
2,388,287	April 30, 2013

Pursuant to federal income tax regulations applicable to regulated investment companies, the fund has elected to defer to its fiscal year ending April 30, 2007, \$430,379 of losses recognized during the period November 1, 2005 to April 30, 2006.

E) Distributions to shareholders Distributions to common and preferred 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. Dividends on remarketed preferred shares become payable when, as and if declared by the Trustees. Each dividend period for the remarketed preferred shares is generally a 28-day period for Series A and a 7-day period for Series B and Series C. The applicable dividend rate for the remarketed preferred shares on April 30, 2006 was 3.70% for Series A, 2.60% for Series B and 2.60% for Series C. 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 post-October loss deferrals, dividends payable and straddle loss deferrals. 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 April 30, 2006, the fund reclassified \$28,281 to increase distribution in excess of net investment income with a decrease to accumulated net realized losses of \$28,281.

The tax basis components of distributable earnings and the federal tax cost as of April 30, 2006 were as follows:

Unrealized appreciation	\$ 12,684,448
Unrealized depreciation	(1,802,377)
	<hr/>
Net unrealized appreciation	10,882,071
Undistributed tax-exempt income	413,003
Capital loss carryforward	(21,134,594)
Post-October loss	(430,379)
Cost for federal income tax purposes	\$309,577,067

F) Determination of net asset value Net asset value of the common shares is determined by dividing the value of all assets of the fund, less all liabilities and the liquidation preference of any outstanding remarketed preferred shares, by the total number of common shares outstanding as of period end.

**Note 2: Management fee, administrative services and other transactions**

Putnam Management is paid for management and investment advisory services quarterly based on the average weekly net assets of the fund. Such fee is based on the lesser of (i) an annual rate of 0.35% of the average weekly net assets of the fund attributable to common and preferred shares outstanding or (ii) the following annual rates expressed as a percentage of the fund's average weekly net assets attributable to common and preferred shares outstanding: 0.45% of the first \$500 million and 0.35% of the next \$500 million, with additional breakpoints at higher asset levels.

Prior to January 1, 2006, the fund's management fee was based on the annual rate of 0.45% of the average weekly net assets attributable to common and preferred shares outstanding.

In addition, the fund pays an administrative services fee to Putnam Management quarterly based on an annual rate of 0.20% of the average weekly net assets attributable to common and preferred shares outstanding. These amounts are included in Compensation of Manager in the Statement of operations.

Prior to January 1, 2006, the fund's administrative services fee was based on the following annual rates expressed as a percentage of the fund's average weekly net assets attributable to common and preferred shares outstanding: 0.20% of the first \$500 million, 0.17% of the next \$500 million, 0.16% of the next \$500 million and 0.15% thereafter.

If dividends payable on remarketed preferred shares during any dividend payment period plus any expenses attributable to remarketed preferred shares for that period exceed the fund's gross income attributable to the proceeds of the remarketed preferred shares during that period, then the fee payable to Putnam Management for that period will be reduced by the amount of the excess (but not more than the effective management and administrative service fee rates under the contracts multiplied by the liquidation preference of the remarketed preferred shares outstanding during the period).

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

Custodial functions for the fund's assets are provided by Putnam Fiduciary Trust Company ("PFTC"), a subsidiary of Putnam, LLC. PFTC receives fees for custody services based on the fund's asset level, the number of its security holdings and transaction volumes. Putnam Investor Services, a division of PFTC, provides investor servicing agent functions to the fund. Putnam Investor Services is paid a monthly fee for investor servicing at an annual rate of 0.05% of the fund's average net assets. During the year ended April 30, 2006, the fund incurred \$222,710 for these services.

The fund has entered into an arrangement with PFTC whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the fund's expenses. For the year ended April 30, 2006, the fund's expenses were reduced by \$69,344 under these arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$281, as a quarterly retainer, has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees receive additional fees for attendance at certain committee meetings, industry seminars and for certain compliance-related matters. Trustees also are reimbursed for expenses they incur relating to their services as Trustees. George Putnam, III, who is not an independent Trustee, also receives the foregoing fees for his services as Trustee.

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

The fund has adopted an unfunded noncontributory defined benefit pension plan (the "Pension Plan") covering all Trustees of the fund who have served as a Trustee for at least five years and were first elected prior to 2004. Benefits under the Pension Plan are equal to 50% of the Trustee's average annual attendance and retainer fees for the three years ended December 31, 2005. Pension expense for the fund is included in Trustee compensation and expenses in the statement of operations. Accrued pension liability is included in Payable for Trustee compensation and expenses in the statement of assets and liabilities. The Trustees have terminated the Pension Plan with respect to any Trustee first elected after 2003.

**Note 3: Purchases and sales of securities**

During the year ended April 30, 2006, cost of purchases and proceeds from sales of investment securities other than short-term investments aggregated \$34,389,224 and \$54,150,890, respectively. There were no purchases or sales of U.S. government securities.

**Note 4: Preferred shares**

The Series A, B and C shares are redeemable at the option of the fund on any dividend payment date at a redemption price of \$50,000, \$25,000 and \$25,000 respectively, per share, plus an amount equal to any dividends accumulated on a daily basis but unpaid through the redemption date (whether or not such dividends have been declared) and, in certain circumstances, a call premium.

It is anticipated that dividends paid to holders of remarketed preferred shares will be considered tax-exempt dividends under the Internal Revenue Code of 1986. To the extent that the fund earns taxable income and capital gains by the conclusion of a fiscal year, it may be required to apportion to the holders of the remarketed preferred shares throughout that year additional dividends as necessary to result in an after-tax equivalent to the applicable dividend rate for the period. Total additional dividends for the fiscal year ended April 30, 2006 were \$1,612.

Under the Investment Company Act of 1940, the fund is required to maintain asset coverage of at least 200% with respect to the remarketed preferred shares as of the last business day of each month in which any such shares are outstanding. Additionally, the fund is required to meet more stringent asset coverage requirements under terms of the remarketed preferred shares and restrictions imposed by the shares' rating agencies. Should these requirements not be met, or should dividends accrued on the remarketed preferred shares not be paid, the fund may be restricted in its ability to declare dividends to common shareholders or may be required to redeem certain of the remarketed preferred shares. At April 30, 2006, no such restrictions have been placed on the fund.

**Note 5: Share repurchase program**

In October 2005, the Trustees of your fund authorized Putnam Investments to implement a repurchase program on behalf of your fund, which would allow your fund to repurchase up to 5% of its outstanding shares over the 12 months ending October 6, 2006. In March 2006, the Trustees approved an increase in this repurchase program to allow the fund to repurchase a total of up to 10% of its outstanding shares over the same period. Repurchases will only be made when the fund's shares are trading at less than net asset value and in accordance with procedures approved by the fund's Trustees.

For the year ended April 30, 2006, the fund repurchased 310,712 common shares for an aggregate purchase price of \$3,556,826, which reflects a weighted-average discount from net asset value per share of 12.0%

**Note 6: Regulatory matters and litigation**

Putnam Management has entered into agreements with the Securities and Exchange Commission and the Massachusetts Securities Division settling charges connected with excessive short-term trading by Putnam employees and, in

the case of the charges brought by the Massachusetts Securities Division, by participants in some Putnam-administered 401(k) plans. Pursuant to these settlement agreements, Putnam Management will pay a total of \$193.5 million in penalties and restitution, with \$153.5 million being paid to certain open-end funds and their

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

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

Putnam Management and Putnam Retail Management are named as defendants in a civil suit in which the plaintiffs allege that the management and distribution fees paid by certain Putnam funds were excessive and seek recovery under the Investment Company Act of 1940. Putnam Management and Putnam Retail Management have contested the plaintiffs' claims and the matter is currently pending in the U.S. District Court for the District of Massachusetts. Based on currently available information, Putnam Management believes that this action is without merit and that it is unlikely to have a material effect on Putnam Management's and Putnam Retail Management's ability to provide services to their clients, including the fund.

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## **Federal tax information (Unaudited)**

The fund has designated 99.7% of dividends paid from net investment income during the fiscal year as tax exempt for Federal income tax purposes.

The Form 1099 you receive in January 2007 will show the tax status of all distributions paid to your account in calendar 2006.

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## **Compliance certifications (Unaudited)**

On November 17, 2005, your fund submitted a CEO annual certification to the New York Stock Exchange ("NYSE") on which the fund's principal executive officer certified that he was not aware, as of that date, of any violation by the fund of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the fund's principal executive and principal financial officers have made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q, relating to, among other things, the fund's disclosure controls and procedures and internal control over financial reporting.

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## **About the Trustees**

**Jameson A. Baxter** (Born 1943), *Trustee since 1994, Vice Chairman since 2005*

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

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

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years. Until 2002, Ms. Baxter was a Director of Intermatic Corporation (a manufacturer of energy control products).

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

### **Charles B. Curtis** (Born 1940), Trustee since 2001

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

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

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

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### **Myra R. Drucker** (Born 1948), Trustee since 2004

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

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

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

### **John A. Hill** (Born 1942), Trustee since 1985 and Chairman since 2000

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

Mr. Hill is a Director of Devon Energy Corporation, TransMontaigne Oil Company and various private companies controlled by First Reserve Corporation, as well as Chairman of TH Lee, Putnam Investment Trust (a closed-end

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investment company advised by an affiliate of Putnam Management). He is also a Trustee of Sarah Lawrence College. Until 2005, he was a Director of Continuum Health Partners of New York.

Prior to acquiring First Reserve Corporation in 1983, Mr. Hill held executive positions in investment banking and investment management with several firms and with the federal government, including Deputy Associate Director of the Office of Management and Budget and Deputy

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Director of the Federal Energy Administration. He is active in various business associations, including the Economic Club of New York, and lectures on energy issues in the United States and Europe. Mr. Hill holds a B.A. degree in Economics from Southern Methodist University and pursued graduate studies there as a Woodrow Wilson Fellow.

### **Paul L. Joskow** (Born 1947), Trustee since 1997

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

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

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

### **Elizabeth T. Kennan** (Born 1938), Trustee since 1992

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

Dr. Kennan served as Chairman and is now Lead Director of Northeast Utilities. Until 2005, she was a Director of Talbots, Inc. She has served as Director on a number of other boards, including Bell Atlantic, Chastain Real Estate, Shawmut Bank, Berkshire Life Insurance and Kentucky Home Life Insurance. She is a Trustee of the National Trust for Historic Preservation, of Centre College and of Midway College in Midway, Kentucky. Until 2006, she was a member of The Trustees of Reservations. Dr. Kennan has served on the oversight committee of the Folger Shakespeare Library, as President of Five Colleges Incorporated, as a Trustee of Notre Dame University and is active in various educational and civic associations.

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

### **John H. Mullin, III** (Born 1941), Trustee since 1997

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

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

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

### **Robert E. Patterson** *(Born 1945), Trustee since 1984*

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

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

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

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### **W. Thomas Stephens** *(Born 1942), Trustee since 1997*

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

Until 2005, Mr. Stephens was a director of TransCanadaPipelines, Ltd. Until 2004, Mr. Stephens was a Director of Xcel Energy Incorporated (a public utility company), Qwest Communications, and Norske Canada, Inc. (a paper manufacturer). Until 2003, Mr. Stephens was a Director of Mail-Well, Inc. (a diversified printing company). He served as Chairman of Mail-Well until 2001 and as CEO of MacMillan-Bloedel, Ltd. (a forest products company) until 1999.

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

### **Richard B. Worley** *(Born 1945), Trustee since 2004*

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

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

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

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

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### **Charles E. Haldeman, Jr.\*** (Born 1948), Trustee since 2004

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

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

Mr. Haldeman currently serves on the Board of Governors of the Investment Company Institute and as a Trustee of Dartmouth College, and he is a member of the Partners HealthCare Systems Investment Committee. He is a graduate of Dartmouth College, Harvard Law School and Harvard Business School. Mr. Haldeman is also a Chartered Financial Analyst (CFA) charterholder.

### **George Putnam, III\*** (Born 1951), Trustee since 1984 and President since 2000

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

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

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

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

*As of April 30, 2006, there were 108 Putnam Funds. All Trustees serve as Trustees of all Putnam funds.*

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

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

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## Officers

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

Charles E. Porter (Born 1938)  
Executive Vice President, Associate Treasurer  
and Principal Executive Officer



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*Since 1989*

Jonathan S. Horwitz (*Born 1955*)  
Senior Vice President and Treasurer  
*Since 2004*

Prior to 2004, Managing Director,  
Putnam Investments

Steven D. Krichmar (*Born 1958*)  
Vice President and Principal Financial Officer  
*Since 2002*

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

Michael T. Healy (*Born 1958*)  
Assistant Treasurer and Principal  
Accounting Officer  
*Since 2000*

Managing Director, Putnam Investments

Daniel T. Gallagher (*Born 1962*)  
Senior Vice President, Staff Counsel  
and Compliance Liaison  
*Since 2004*

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

Beth S. Mazor (*Born 1958*)  
Vice President  
*Since 2002*

Managing Director, Putnam Investments

James P. Pappas (*Born 1953*)  
Vice President  
*Since 2004*

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

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UAM Investment Services, Inc.

Richard S. Robie, III (*Born 1960*)

Vice President

*Since 2004*

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

Francis J. McNamara, III (*Born 1955*)

Vice President and Chief Legal Officer

*Since 2004*

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

Charles A. Ruys de Perez (*Born 1957*)

Vice President and Chief Compliance Officer

*Since 2004*

Managing Director, Putnam Investments

Mark C. Trenchard (*Born 1962*)

Vice President and BSA Compliance Officer

*Since 2002*

Managing Director, Putnam Investments

Judith Cohen (*Born 1945*)

Vice President, Clerk and Assistant Treasurer

*Since 1993*

Wanda M. McManus (*Born 1947*)

Vice President, Senior Associate Treasurer and Assistant Clerk

*Since 2005*

Nancy E. Florek (*Born 1957*)

Vice President, Assistant Clerk, Assistant Treasurer and Proxy Manager

*Since 2005*

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

## Fund information

### About Putnam Investments

Founded over 65 years ago, Putnam Investments was built around the concept that a balance between risk and reward is the hallmark of a well-rounded financial program. We 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	Robert E. Patterson George Putnam, III W. Thomas Stephens Richard B. Worley	James P. Pappas <i>Vice President</i>  Richard S. Robie, III <i>Vice President</i>
Marketing Services Putnam Retail Management One Post Office Square Boston, MA 02109	Officers George Putnam, III <i>President</i>  Charles E. Porter <i>Executive Vice President, Associate Treasurer and Principal Executive Officer</i>	Francis J. McNamara, III <i>Vice President and Chief Legal Officer</i>  Charles A. Ruys de Perez <i>Vice President and Chief Compliance Officer</i>
Custodian Putnam Fiduciary Trust Company	Jonathan S. Horwitz <i>Senior Vice President and Treasurer</i>	Mark C. Trenchard <i>Vice President and BSA Compliance Officer</i>
Legal Counsel Ropes & Gray LLP	Steven D. Krichmar <i>Vice President and Principal Financial Officer</i>	Judith Cohen <i>Vice President, Clerk and Assistant Treasurer</i>
Independent Registered Public Accounting Firm PricewaterhouseCoopers LLP	Michael T. Healy <i>Assistant Treasurer and Principal Accounting Officer</i>	Wanda M. McManus <i>Vice President, Senior Associate Treasurer and Assistant Clerk</i>
Trustees John A. Hill, <i>Chairman</i> Jameson Adkins Baxter, <i>Vice Chairman</i> Charles B. Curtis Myra R. Drucker Charles E. Haldeman, Jr. Paul L. Joskow Elizabeth T. Kennan John H. Mullin, III	Daniel T. Gallagher <i>Senior Vice President, Staff Counsel and Compliance Liaison</i>  Beth S. Mazor <i>Vice President</i>	Nancy E. Florek <i>Vice President, Assistant Clerk, Assistant Treasurer and Proxy Manager</i>

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

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### Item 2. Code of Ethics:

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

(c) In July 2005, Putnam Investment Management, LLC, the Fund's investment manager, Putnam Retail Management Limited Partnership, the Fund's principal underwriter, and Putnam Investments Limited, the sub-manager for a portion of the assets of certain funds as determined by Putnam Management from time to time, adopted several amendments to their Code of Ethics. Insofar as such Code of Ethics applies to the Fund's principal executive officer, principal financial officer and principal accounting officer, the amendments provided for an exception to the standard 90-day holding period (one year, in the case of employees deemed to be "access persons" under the Code) for shares of Putnam mutual funds in the case of redemptions from an employee's account in a college savings plan qualified under Section 529 of the Internal Revenue Code. Under this exception, an employee may, without penalty under the Code, make "qualified redemptions" of shares from such an account less than 90 days (or one year, as applicable) after purchase. "Qualified redemptions" include redemptions for higher education purposes for the account beneficiary and redemptions made upon death or disability. The July 2005 amendments also provide that an employee may, for purposes of the rule limiting the number of trades per calendar quarter in an employee's personal account to a maximum of 10, count all trades of the same security in the same direction (all buys or all sells) over a period of five consecutive business days as a single trade.

The July 2005 amendments were incorporated into a restated Code of Ethics dated December 2005 (filed as an exhibit hereto).

### Item 3. Audit Committee Financial Expert:

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

### Item 4. Principal Accountant Fees and Services:

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

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Fiscal year ended	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
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April 30, 2006	\$43,383	\$22,525	\$4,916	\$14
April 30, 2005	\$37,859	\$21,263	\$4,318	\$ -

For the fiscal years ended April 30, 2006 and April 30, 2005, the fund's independent auditor billed aggregate non-audit fees in the amounts of \$285,729 and \$209,285 respectively, to the fund, Putnam Management and any entity controlling, controlled by or under common control with Putnam Management that provides ongoing services to the fund.

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

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

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

All Other Fees represent fees billed for services relating to an analysis of recordkeeping fees.

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

The Audit and Compliance Committee also has adopted a policy to pre-approve the engagement by Putnam Management and certain of its affiliates of the funds' independent auditors, even in circumstances where pre-approval is not required by applicable law. Any such requests by Putnam Management or certain of its affiliates are typically submitted in writing to the Committee and explain, among other things, the nature of the proposed engagement, the estimated fees, and why this work should be performed by that particular audit firm as opposed to another one.

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

<u>Fiscal year ended</u>	<u>Audit-Related Fees</u>	<u>Tax Fees</u>	<u>All Other Fees</u>	<u>Total Non-Audit Fees</u>
April 30, 2006	\$ -	\$98,160	\$ -	\$ -
April 31, 2005	\$ -	\$ -	\$ -	\$ -

Item 5. Audit Committee of Listed Registrants

(a) The fund has a separately-designated Audit and Compliance Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The

Audit and Compliance Committee of the fund's Board of Trustees is composed of the following persons:

Robert E. Patterson (Chairperson)  
W. Thomas Stephens  
John A. Hill  
(b) Not applicable

Item 6. Schedule of Investments:

The registrant's schedule of investments in unaffiliated issuers is included in the report to shareholders in Item 1 above.

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

**Proxy voting guidelines of the Putnam funds**

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

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

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

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

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

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**I. BOARD-APPROVED PROPOSALS**

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

**Matters relating to the Board of Directors**

*Uncontested Election of Directors*

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

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

the board does not have a majority of independent directors,

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

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

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

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

\* The funds will on a **case-by-case basis withhold votes** from the entire board of directors where the board has approved compensation arrangements for one or more company executives that the funds determine are unreasonably excessive relative to the company's performance.

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

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

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

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

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serves on more than five unaffiliated public company boards (for the purpose of this guideline, boards of affiliated registered investment companies will count as one board).

**Commentary:**

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

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

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

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

**Corporate governance practices:** Board independence depends not only on its members' individual relationships, but also on the board's overall attitude toward management. Independent boards are committed to good corporate governance practices and, by providing objective independent judgment, enhancing shareholder value. The funds may withhold votes on a case-by-case basis from some or all directors who, through their lack of independence, have failed to observe good corporate governance practices or, through specific corporate action, have demonstrated a disregard for the interest of shareholders. Such instances may include cases where a board of directors has approved compensation arrangements for one or more members of management that, in the judgment of the funds' Trustees, are excessive by reasonable corporate standards relative to the company's record of performance.

#### *Contested Elections of Directors*

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

#### *Classified Boards*

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

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

#### *Other Board-Related Proposals*

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

#### **Executive Compensation**

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



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

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

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

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

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

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

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

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executive compensation. In voting on a proposal relating to executive compensation, the funds will consider whether the proposal has been approved by an independent compensation committee of the board.

### **Capitalization**

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

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

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

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

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

number of considerations that may affect a shareholder's investment and that warrant a case-by-case determination.

### **Acquisitions, Mergers, Reincorporations, Reorganizations and Other Transactions**

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

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

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

### **Anti-Takeover Measures**

Some proxy proposals involve efforts by management to make it more difficult for an outside party to take control of the company without the approval of the company's board of directors.

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These include the adoption of a shareholder rights plan, requiring supermajority voting on particular issues, the adoption of fair price provisions, the issuance of blank check preferred stock, and the creation of a separate class of stock with disparate voting rights. Such proposals may adversely affect shareholder rights, lead to management entrenchment, or create conflicts of interest. As a result, the funds will vote **against** board-approved proposals to adopt such anti-takeover measures, except as follows:

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

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

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

### **Other Business Matters**

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

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

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

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

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

## II. SHAREHOLDER PROPOSALS

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

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

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

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

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

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

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

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

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

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

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

**Uncontested Election of Directors**

*Japan*

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

the board does not have a majority of outside directors,

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

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

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

Commentary:

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

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

*Korea*

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

the board does not have a majority of outside directors,

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

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

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

consider other business relationships that would affect the independence of an outside director.

*United Kingdom*

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

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

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

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

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

Commentary:

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

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

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

*Canada*

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

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

**Other Matters**

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

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

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

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

As adopted January 13, 2006

### Proxy Voting Procedures of the Putnam Funds

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

#### The role of the funds' Trustees

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

#### The role of the proxy voting service

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

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#### The role of the Proxy Coordinator

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

#### Voting procedures for referral items

As discussed above, the proxy voting service will refer proxy questions to the Proxy Coordinator under certain circumstances. When the application of the proxy voting guidelines is unclear or a particular proxy question is not covered by the guidelines (and does not involve investment considerations), the Proxy Coordinator will assist in interpreting the guidelines and, as appropriate, consult with one of more senior staff members of the Office of the

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Trustees and the Chair of the Board Policy and Nominating Committee on how the funds' shares will be voted.

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

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

### Conflicts of interest

Occasions may arise where a person or organization involved in the proxy voting process may have a conflict of interest. A conflict of interest may exist, for example, if Putnam Management has a business relationship with (or is actively soliciting business from) either the company soliciting the proxy or a third party that has a material interest in the outcome of a proxy vote or that is actively lobbying for a particular outcome of a proxy vote. Any individual with knowledge of a personal conflict of interest (e.g., familial relationship with company management) relating to a particular referral item shall disclose that conflict to the Proxy Coordinator and the Legal and Compliance

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Department and otherwise remove himself or herself from the proxy voting process. The Legal and Compliance Department will review each item referred to Putnam Management's investment professionals to determine if a conflict of interest exists and will provide the Proxy Coordinator with a Conflicts Report for each referral item that (1) describes any conflict of interest; (2) discusses the procedures used to address such conflict of interest; and (3) discloses any contacts from parties outside Putnam Management (other than routine communications from proxy solicitors) with respect to the referral item not otherwise reported in an investment professional's recommendation. The Conflicts Report will also include written confirmation that any recommendation from an investment professional provided under circumstances where a conflict of interest exists was made solely on the investment merits and without regard to any other consideration.

As adopted March 11, 2005

### Item 8. Portfolio Managers of Closed-End Management Investment Companies

(a)(1) **Investment management teams.** Putnam Management's and Putnam Investments Limited's (for funds having Putnam Investments Limited as sub-manager) investment professionals are organized into investment management teams, with a particular team dedicated to a specific asset class. The members of the team or teams identified in the shareholder report included in Item 1 of this report manage the fund's investments. The names of all team members can be found at [www.putnam.com](http://www.putnam.com).

The team members identified as the fund's Portfolio Leader(s) and Portfolio Member(s) coordinate team efforts related to the fund and are primarily responsible for the day-to-day management of the fund's portfolio. In addition to these individuals, each team also includes other investment professionals, whose analysis, recommendations and research inform investment decisions made for the fund.

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<b>Portfolio Leader</b>	<b>Joined Fund</b>	<b>Employer</b>	<b>Positions Over Past Five Years</b>
David Hamlin	2002	<b>Putnam Management</b> 1998 – Present	Team Leader, Tax Exempt Team Previously, Director, Tax Exempt, Investment Grade
<b>Portfolio Members</b>	<b>Joined Fund</b>	<b>Employer</b>	<b>Positions Over Past Five Years</b>
Paul Drury	2002	<b>Putnam Management</b> 1989 – Present	Tax Exempt Specialist Previously, Portfolio Manager; Senior Trader
Susan McCormack	2002	<b>Putnam Management</b> 1994 – Present	Tax Exempt Specialist Previously, Portfolio Manager
James St. John	2003	<b>Putnam Management</b> 1998 – Present	Portfolio Construction Specialist Previously, Quantitative Analyst

(a)(2) **Other Accounts Managed by the Fund’s Portfolio Managers.**

The following table shows the number and approximate assets of other investment accounts (or portions of investment accounts) that the fund’s Portfolio Leader(s) and Portfolio Member(s) managed as of the fund’s most recent fiscal year-end. The other accounts may include accounts for which the individual was not designated as a portfolio member. Unless noted, none of the other accounts pays a fee based on the account’s performance.

<b>Portfolio Leader or Member</b>	<b>Other SEC-registered open-end and closed-end funds</b>		<b>Other accounts that pool assets from more than one client</b>		<b>Other accounts (including separate accounts, managed account programs and single-sponsor defined contribution plan offerings)</b>	
	Number of accounts	Assets	Number of accounts	Assets	Number of accounts	Assets
David Hamlin	27	\$9,756,200,000	3	\$900,000	2	\$49
Paul Drury	27	\$9,756,200,000	3	\$900,000	2	\$49
Susan McCormack	27	\$9,756,200,000	3	\$900,000	2	\$49
Jim St. John	27	\$9,756,200,000	3	\$900,000	2	\$49



Potential conflicts of interest in managing multiple accounts. Like other investment professionals with multiple clients, the fund's Portfolio Leader(s) and Portfolio Member(s) may face certain potential conflicts of interest in connection with managing both the fund and the other accounts listed under "Other Accounts Managed by the Fund's Portfolio Managers" at the same time. The paragraphs below describe some of these potential conflicts, which Putnam Management believes are faced by investment professionals at most major financial firms. As described below, Putnam Management and the Trustees of the Putnam funds have adopted compliance policies and procedures that attempt to address certain of these potential conflicts.

The management of accounts with different advisory fee rates and/or fee structures, including accounts that pay advisory fees based on account performance ("performance fee accounts"), may raise potential conflicts of interest by creating an incentive to favor higher-fee accounts. These potential conflicts may include, among others:

The most attractive investments could be allocated to higher-fee accounts or performance fee accounts.

- The trading of higher-fee accounts could be favored as to timing and/or execution price. For example, higher-fee accounts could be permitted to sell securities earlier than other accounts when a prompt sale is desirable or to buy securities at an earlier and more opportune time.
  - The trading of other accounts could be used to benefit higher-fee accounts (front- running).
  - The investment management team could focus their time and efforts primarily on higher-fee accounts due to a personal stake in compensation.
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Putnam Management attempts to address these potential conflicts of interest relating to higher-fee accounts through various compliance policies that are generally intended to place all accounts, regardless of fee structure, on the same footing for investment management purposes. For example, under Putnam Management's policies:

- Performance fee accounts must be included in all standard trading and allocation procedures with all other accounts.
- All accounts must be allocated to a specific category of account and trade in parallel with allocations of similar accounts based on the procedures generally applicable to all accounts in those groups (e.g., based on relative risk budgets of accounts).
- All trading must be effected through Putnam's trading desks and normal queues and procedures must be followed (i.e., no special treatment is permitted for performance fee accounts or higher-fee accounts based on account fee structure).
- Front running is strictly prohibited.
- The fund's Portfolio Leader(s) and Portfolio Member(s) may not be guaranteed or specifically allocated any portion of a performance fee.

As part of these policies, Putnam Management has also implemented trade oversight and review procedures in order to monitor whether particular accounts (including higher-fee accounts or performance fee accounts) are being favored over time.

Potential conflicts of interest may also arise when the Portfolio Leader(s) or Portfolio Member(s) have personal investments in other accounts that may create an incentive to favor those accounts. As a general matter and subject to limited exceptions, Putnam Management's investment professionals do not have the opportunity to invest in client accounts, other than the Putnam funds. However, in the ordinary course of business, Putnam Management or related persons may from time to time establish "pilot" or "incubator" funds for the purpose of testing

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proposed investment strategies and products prior to offering them to clients. These pilot accounts may be in the form of registered investment companies, private funds such as partnerships or separate accounts established by Putnam Management or an affiliate. Putnam Management or an affiliate supplies the funding for these accounts. Putnam employees, including the fund's Portfolio Leader(s) and Portfolio Member(s), may also invest in certain pilot accounts. Putnam Management, and to the extent applicable, the Portfolio Leader(s) and Portfolio Member(s) will benefit from the favorable investment performance of those funds and accounts. Pilot funds and accounts may, and frequently do, invest in the same securities as the client accounts. Putnam Management's policy is to treat pilot accounts in the same manner as client accounts for purposes of trading allocation — neither favoring nor disfavoring them except as is legally required. For example, pilot accounts are normally included in Putnam Management's daily block trades to the same extent as client accounts (except that pilot accounts do not participate in initial public offerings).

A potential conflict of interest may arise when the fund and other accounts purchase or sell the same securities. On occasions when the Portfolio Leader(s) or Portfolio

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Member(s) consider the purchase or sale of a security to be in the best interests of the fund as well as other accounts, Putnam Management's trading desk may, to the extent permitted by applicable laws and regulations, aggregate the securities to be sold or purchased in order to obtain the best execution and lower brokerage commissions, if any. Aggregation of trades may create the potential for unfairness to the fund or another account if one account is favored over another in allocating the securities purchased or sold — for example, by allocating a disproportionate amount of a security that is likely to increase in value to a favored account. Putnam Management's trade allocation policies generally provide that each day's transactions in securities that are purchased or sold by multiple accounts are, insofar as possible, averaged as to price and allocated between such accounts (including the fund) in a manner which in Putnam Management's opinion is equitable to each account and in accordance with the amount being purchased or sold by each account. Certain exceptions exist for specialty, regional or sector accounts. Trade allocations are reviewed on a periodic basis as part of Putnam Management's trade oversight procedures in an attempt to ensure fairness over time across accounts.

—Cross trades,— in which one Putnam account sells a particular security to another account (potentially saving transaction costs for both accounts), may also pose a potential conflict of interest. Cross trades may be seen to involve a potential conflict of interest if, for example, one account is permitted to sell a security to another account at a higher price than an independent third party would pay. Putnam Management and the fund's Trustees have adopted compliance procedures that provide that any transactions between the fund and another Putnam-advised account are to be made at an independent current market price, as required by law.

Another potential conflict of interest may arise based on the different investment objectives and strategies of the fund and other accounts. For example, another account may have a shorter-term investment horizon or different investment objectives, policies or restrictions than the fund. Depending on another account's objectives or other factors, the Portfolio Leader(s) and Portfolio Member(s) may give advice and make decisions that may differ from advice given, or the timing or nature of decisions made, with respect to the fund. In addition, investment decisions are the product of many factors in addition to basic suitability for the particular account involved. Thus, a particular security may be bought or sold for certain accounts even though it could have been bought or sold for other accounts at the same time. More rarely, a particular security may be bought for one or more accounts managed by the Portfolio Leader(s) or Portfolio Member(s) when one or more other accounts are selling the security (including short sales). There may be circumstances when purchases or sales of portfolio securities for one or more accounts may have an adverse effect on other accounts. As noted above, Putnam Management has implemented trade oversight and review procedures to monitor whether any account is systematically favored over time.

The fund's Portfolio Leader(s) and Portfolio Member(s) may also face other potential conflicts of interest in managing the fund, and the description above is not a complete description of every conflict that could be deemed to exist in managing both the fund and other accounts.

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(a)(3) **Compensation of investment professionals.** Putnam Management believes that its investment management teams should be compensated primarily based on their success in helping investors achieve their goals. The portion of Putnam Investments' total incentive compensation pool that is available to Putnam Management's Investment Division is based primarily on its delivery, across all of the portfolios it manages, of consistent, dependable and superior performance over time. The peer group for the fund, which is identified in the shareholder report included in Item 1, is its broad investment category as determined by Lipper Inc. The portion of

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the incentive compensation pool available to each investment management team varies based primarily on its delivery, across all of the portfolios it manages, of consistent, dependable and superior performance over time on (i) for tax-exempt funds, a tax-adjusted basis to recognize the different federal income tax treatment for capital gains distributions and exempt-interest distributions a before-tax basis or (ii) for taxable funds, on a before-tax basis.

Consistent performance means being above median over one year.

- Dependable performance means not being in the 4th quartile of the peer group over one, three or five years.
- Superior performance (which is the largest component of Putnam Management's incentive compensation program) means being in the top third of the peer group over three and five years.

In determining an investment management team's portion of the incentive compensation pool and allocating that portion to individual team members, Putnam Management retains discretion to reward or penalize teams or individuals, including the fund's Portfolio Leader(s) and Portfolio Member(s), as it deems appropriate, based on other factors. The size of the overall incentive compensation pool each year is determined by Putnam Management's parent company, Marsh & McLennan Companies, Inc., and depends in large part on Putnam's profitability for the year, which is influenced by assets under management. Incentive compensation is generally paid as cash bonuses, but a portion of incentive compensation may instead be paid as grants of restricted stock, options or other forms of compensation, based on the factors described above. In addition to incentive compensation, investment team members receive annual salaries that are typically based on seniority and experience. Incentive compensation generally represents at least 70% of the total compensation paid to investment team members.

(a)(4) **Fund ownership.** The following table shows the dollar ranges of shares of the fund owned by the professionals listed above at the end of the fund's last two fiscal years, including investments by their immediate family members and amounts invested through retirement and deferred compensation plans.

	Year	\$1 □	\$10,001 □	\$50,001 □	\$100,001 □	\$500,001 □	\$1,000,001
		\$0 \$10,000	\$50,000	\$100,000	\$500,000	\$1,000,000	and over
David Hamlin	2006						
Portfolio Leader	2005						
Paul Drury	2006						
Portfolio Member	2005						
Susan McCormack	2006						

(b) Not applicable

### Item 9. Purchases of Equity Securities by Closed-End Management Investment Companies and Affiliated Purchasers:

#### Registrant Purchase of Equity Securities

Total Number of Shares Purchased	Maximum Number (or Approximate Dollar Value )
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<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>as Part of Publicly Announced Plans or Programs</u>	<u>of Shares that May Yet Be Purchased under the Plans or Programs *</u>
October 7 - October 31, 2005	31,929	\$11.47	31,929	1,583,780
November 1 - November 30, 2005	80,785	\$11.22	80,785	1,502,995
December 1 - December 31, 2005	80,785	\$11.21	80,785	1,422,210
January 1 - January 31, 2006	80,785	\$11.74	80,785	1,341,425
February 1 - February 28, 2006	36,428	\$11.80	36,428	1,304,997
March 1 - March 31, 2006	-	-	-	-
April 1 - April 30, 2006	-	-	-	-

The Board of Trustees announced a repurchase plan on October 7, 2005 for which **807,855** shares were approved for repurchase by the fund. The repurchase plan

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was approved through October 6, 2006. On March 10, 2006, the Trustees announced that the repurchase program was increased to allow repurchases of up to a total of 1,615,709 shares over the original term of the program

\*Information is based on the total number of shares eligible for repurchase under the program, as amended on March 10, 2006.

Item 10. Submission of Matters to a Vote of Security Holders:

Not applicable

Item 11. Controls and Procedures:

(a) The registrant's principal executive officer and principal financial officer have concluded, based on their evaluation of the effectiveness of the design and operation of the registrant's disclosure controls and procedures

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as of a date within 90 days of the filing date of this report, that the design and operation of such procedures are generally effective to provide reasonable assurance that information required to be disclosed by the registrant in this report is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

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

### Item 12. Exhibits:

(a)(1) The Code of Ethics of The Putnam Funds, which incorporates the Code of Ethics of Putnam Investments, is filed herewith.

(a)(2) Separate certifications for the principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Investment Company Act of 1940, as amended, are filed herewith.

(b) The certifications required by Rule 30a-2(b) under the Investment Company Act of 1940, as amended, are filed herewith.

### SIGNATURES

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

#### Putnam Municipal Opportunities Trust

By (Signature and Title):

/s/Michael T. Healy  
Michael T. Healy  
Principal Accounting Officer  
Date: June 28, 2006

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

By (Signature and Title):

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/s/Charles E. Porter  
Charles E. Porter  
Principal Executive Officer  
Date: June 28, 2006

By (Signature and Title):

/s/Steven D. Krichmar  
Steven D. Krichmar  
Principal Financial Officer  
Date: June 28, 2006

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