

PUTNAM MANAGED HIGH YIELD TRUST

Form N-CSR

July 24, 2003

Putnam
Managed
High Yield
Trust

Item 1. Report to Stockholders:

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

ANNUAL REPORT ON PERFORMANCE AND OUTLOOK

5-31-03

[GRAPHIC OMITTED: WATCH]

[SCALE LOGO OMITTED]

From the Trustees

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

Dear Fellow Shareholder:

We are pleased to report positive performance for Putnam Managed High Yield Trust for the fiscal year ended May 31, 2003, although the fund lagged both its benchmark index and its Lipper fund category average. The fund was underweighted in several volatile industry sectors, including utilities and technology, which performed well during the second half of the period.

As the turbulence in the high-yield market during the fiscal year's first half gave way to one of the strongest periods for high-yield bonds since the early 1990s, your fund's management team focused on finding higher-yielding bonds in a challenging interest-rate environment, in which bond yields have declined significantly. In the following report, the managers provide a thorough discussion of fund performance and the strategies they pursued, as well as their view of the outlook for the fiscal year that has just begun.

Meanwhile, we would like you to know how much we appreciate your continued confidence in Putnam. No one can say for certain, of course, how long the current strength in the high-yield market will last, but the management team will continue to devote its full attention to maintaining the fund's fine record.

Respectfully yours,

/S/ JOHN A. HILL

/S/ GEORGE PUTNAM, III

John A. Hill
Chairman of the Trustees

George Putnam, III
President of the Funds

July 16, 2003

Report from Fund Management

Fund highlights

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- * During the fiscal year ended May 31, 2003, Putnam Managed High Yield Trust had total returns of 8.82% at net asset value (NAV) and 4.15% at market price.
- * Due to its underweight in volatile sectors, such as utilities and technology, the fund underperformed its primary benchmark, the JP Morgan Developed High Yield Index, which returned 11.86% for the period.
- * The fund also underperformed the average return of 11.91% for the Lipper High Current Yield Funds (Closed-End) category. Comparisons in this category can be problematic, however, because it consists of only five funds.
- * The fund's dividend was reduced to \$0.06 per share in January 2003. See page 5 for more information.
- * See the Performance Summary on page 7 for complete fund performance, comparative index performance, and Lipper data.

Performance commentary

Over the course of the past 12 months, your fund had positive returns but underperformed on a relative basis, due primarily to the higher percentage of distressed and defaulted bonds in the benchmark index. The fact that the fund is limited to owning no more than 5% in bonds rated below CCC at the time of purchase affected our relative underweighting. Putnam is proposing to increase this limit to 15%, subject to approval by the Trustees. In particular, bonds of many distressed utilities companies were downgraded to junk-bond status and became part of the index. These bonds subsequently experienced dramatic rebounds, boosting the index results. While the fund did participate in some of these gains, we maintained an underweight position because of the high credit risk surrounding these companies. In addition, the ongoing decline in bond yields continued to present a challenge and led to a dividend reduction. This, in turn, reduced demand for the fund and depressed the fund's return at market price.

FUND PROFILE

Putnam Managed High Yield Trust seeks high current income and, as a secondary objective, capital growth, by investing in corporate high-yield bonds. The fund is designed for investors seeking higher fixed-income returns and who are willing to accept the added risks of investing in below-investment-grade securities.

Market overview

The first half of your fund's fiscal year occurred during a precipitous market decline, caused by a weakening economy, geopolitical turmoil, and allegations of corporate malfeasance, among other factors. These sharp declines were followed in the second half of the year by one of the strongest-performing periods for high-yield bonds since the early 1990s.

Performance in the high-yield market turned around in mid October 2002, a few weeks before the midpoint of the fund's fiscal year. As yields on Treasuries and money market securities reached historic lows by early October (they have since dropped even lower), investors who sought higher yields became more willing to take on additional risk to attain them. With encouragement from improved economic forecasts for 2003, investors moved out of Treasuries in mid October and a strong high-yield rally commenced.

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In early 2003, investors remained nervous about the prospects of war with Iraq and the strength of the U.S. economy, but their demand for higher income than Treasuries could provide continued to bolster the high-yield market. When the war ended quickly, investors looked more closely at the economic fundamentals and technical factors in the high-yield market and realized that a supportive environment was in place. The decline in the rate of corporate defaults (which peaked in early 2002) has been of particular importance, as investors may perceive that lower default rates are an indication of reduced risk in the market going forward. Also, widespread efforts by companies to improve their balance sheets has been perceived as a harbinger of improving credit quality over the next few years.

MARKET SECTOR PERFORMANCE 12 MONTHS ENDED 5/31/03

Bonds

JP Morgan Developed High Yield Index (high-yield bonds)	11.86%
Lehman Aggregate Bond Index (taxable U.S. bonds)	11.58%
Lehman GNMA Index (mortgage-backed securities)	6.13%
Lehman Municipal Bond Index (municipal bonds)	10.36%

Equities

S&P 500 Index (broad stock market)	-8.06%
Russell 2000 Index (small- and midsize-company stocks)	-8.18%
MSCI EAFE (international stocks)	-12.30%

These indexes provide an overview of performance in different market sectors for the 12 months ended 5/31/03.

Strategy overview

After maintaining a defensive posture in the first several months of the year, we began increasing the fund's weightings in higher-yielding bonds during September's market lows, when there were many bargains to be found. As the market strengthened, we continued to seek ways to increase yield -- primarily by considering bonds that offered greater income in exchange for lower credit quality. At the same time, we tried to be selective, carefully analyzing these lower-rated issues in the face of an economy that was still struggling.

Call risk became a significant factor during the second half of the period. High-yield bonds typically are issued with a call feature. This provision allows an issuer to "call" -- or redeem -- the bond from the bondholder after a specified date (usually four to five years from the date of issuance). Calling the bond allows the issuer to refinance the debt at a lower rate. Obviously, when a bond is called, the bondholder (in this case, your fund) no longer receives the interest income. However, in some cases the bond is called at a significant premium, which is beneficial to the fund. The challenge in a declining-rate environment is to find new bonds that offer as high a level of income as possible without incurring an unnecessary amount of credit risk.

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

TOP INDUSTRY WEIGHTINGS COMPARED

	as of 11/30/02	as of 5/31/03
Utilities and power	3.1%	6.7%
Chemicals	5.6%	5.6%
Gaming and lottery	5.9%	5.6%
Telecommunications	4.9%	5.4%
Oil and gas	4.4%	5.0%

Footnote reads:

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

How fund holdings and sector allocations affected performance

Several of the larger holdings in the portfolio performed well during the period and contributed to the fund's solid returns. Nextel and Echostar were among the strongest performers, as the wireless communications and broadcasting industries have been strengthening and these companies -- Nextel in particular -- have been reducing debt and seeing large price increases for their bonds. Nextel operates a large wireless telecommunications network with a unique and successful walkie-talkie feature. The wireless sector has been one of the strongest-performing sectors for the fund, though we believe that the greater portion of the returns from some of these holdings may be behind us. Consequently, we have pared down our exposure to Nextel, one of the fund's strongest-performing holdings over the period, as its bond prices have increased. Vivendi Universal, a France-based media and communications conglomerate, performed strongly, as did DirectTV, another satellite broadcasting firm (Vivendi was sold at a profit shortly before the end of the fund's fiscal year). In broadcasting, Paxson Communications Corp. has also performed well. Paxson owns and operates 63 television stations, as well as the PAX TV cable network, which provides family entertainment programming.

[GRAPHIC OMITTED: TOP 10 HOLDINGS]

TOP 10 HOLDINGS

- 1 PSF Group Holdings, Inc. 144A Class A
Common stock
Consumer staples
- 2 HYDI Credit Linked Note (issued by JPMorgan)
8%, 2008
Asset-backed securities
- 3 CSC Holdings, Inc.
Series M, \$11.125 cum. pfd.
Cable television

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- 4 HMM Properties, Inc.
Company guaranty, Series B, 7.875%, 2008
Lodging/tourism
- 5 PRIMEDIA, Inc.
Company guaranty, 8.875%, 2011
Publishing
- 6 Qwest Services Corp. 144A
Notes, 13.5%, 2010
Communication services
- 7 Qwest Corp. 144A
Notes 8.875%, 2012
Communication services
- 8 Six Flags, Inc.
Senior notes 8.875%, 2010
Entertainment
- 9 Telus Corp. (Canada)
Notes, 8%, 2011
Communication services
- 10 Paxson Communications Corp.
13.25% cum. pfd.
Broadcasting

Footnote reads:

Holdings represent 9.0% of net assets.

The fund's holdings of AK Steel Corp. and Collins and Aikman Corp. bonds detracted from performance during the period. AK Steel Corp, an Ohio-based steel manufacturer, had disappointing first-quarter 2003 financial results, primarily due to weak demand in the appliance, construction, and manufacturing markets. Collins and Aikman, a manufacturer of auto and truck parts, severely underperformed earnings expectations in the first quarter of 2003, incurring a loss. The company attributed the first-quarter disappointment to manufacturing problems. Finally, HealthSouth, which owns and operates a chain of rehabilitation, diagnostic imaging, and outpatient surgery centers, experienced significant losses due to charges of accounting fraud over several years. The fund still owns AK Steel, Collins and Aikman, and HealthSouth, as we believe the bonds still offer attractive return potential. Of course, we will continue to evaluate the holdings and make changes if we believe it is necessary. The fund was underweighted in technology and utility bonds, both of which performed well in the second half of the fiscal year, so this positioning hurt the fund's relative performance.

The oil and gas sector produced solid returns for the fund during the period, as energy prices generally remained elevated due to uncertainties surrounding the war in Iraq and a longer and colder than normal winter in the northeastern United States.

Please note that all sectors and holdings discussed in this report are subject to review in accordance with the fund's investment strategy and may vary in the future.

OF SPECIAL INTEREST

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Effective with the January distribution, the fund's monthly dividend was reduced to \$0.06 per share, reflecting a decline in the portfolio's income stream. Bond yields in virtually all sectors have fallen substantially over the past several years. As older bonds in the portfolio have matured or been called, the assets have been reinvested at lower current rates. This has reduced the income generated by the portfolio and necessitated the reduction.

The fund's management team

The fund is managed by the Putnam Core Fixed-Income High-Yield Team. The members of this team are Stephen Peacher (Portfolio Leader), Norm Boucher (Portfolio Member), Paul Scanlon (Portfolio Member), Rosemary Thomsen (Portfolio Member), Jeffrey Kaufman, Geoffrey Kelley, Neil Reiner, and Joseph Towell.

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.

The strong returns in the high-yield bond market since mid-October 2002 have caused us to temper our enthusiasm for the sector somewhat as it is unlikely that the market can continue to produce such results. However, our outlook for the longer term remains positive. We believe there is evidence that supports a strengthening economy, low inflation, and sustained demand for higher-yielding fixed-income investments. On the economic front, we are seeing substantial fiscal and monetary stimulus. Major factors included the recent tax cut (as well as reduction in 2001), a weakened dollar, historically low interest rates, and a commitment by the Federal Reserve Board to keep long-term interest rates low by buying longer-maturity Treasury bonds on the open market. All of these factors, we believe, should provide the U.S. economy with the fuel it needs to continue expanding. Moreover, we believe that market-specific trends continue to be positive, namely declining default rates and improving corporate balance sheets.

While we are optimistic about the high-yield market for the next several years, we know the market will experience short-term fluctuations. As such, we will seek to maintain diversification among industry sectors and individual holdings, and we will focus on reducing risk where possible.

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.

Performance summary

This section provides information about your fund's performance during its fiscal year, which ended May 31, 2003. We also include performance for the most current calendar quarter-end. Performance should always be considered in light of a fund's investment strategy. Past performance does not indicate future results. More recent returns may be less or more than those shown. Investment return, market price and principal value will fluctuate and you may have a gain or a loss when you sell your shares. Performance does not reflect taxes on reinvested distributions. A profile of your fund's strategy appears on the first page of this report. See page 8 for definitions of some terms used in this section.

TOTAL RETURN FOR PERIODS ENDED 5/31/03

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	NAV	Market price	High Yield Index	CSFB High Yield Index	JP Morgan Developed High Yield Index*	Lipper High Current Yield Funds (Closed-End) category average+
1 year	8.82%	4.15%	13.26%	11.86%	11.91%	
5 years	-4.18	-1.35	17.62	14.31	3.57	
Annual average	-0.85	-0.27	3.30	2.71	0.61	
Life of fund (since 6/25/93)	63.48	62.99	92.80	--	80.80	
Annual average	5.07	5.04	6.84	--	6.03	

* Putnam Management has recently undertaken a review of the fund's benchmark. This index replaces the CSFB High Yield Index as a performance benchmark for this fund because, in Putnam Management's opinion, the securities tracked by this index more accurately reflect the types of securities generally held by the fund. The JP Morgan index's inception date was 12/31/94.

+ Index and Lipper results should be compared to fund performance at net asset value. Over the 1-, 5-, and life-of-fund periods ended 5/31/03, there were 5, 4, and 3 funds, respectively, in this Lipper category.

TOTAL RETURN FOR PERIODS ENDED 6/30/03 (most recent calendar quarter)

	NAV	Market price
1 year	17.63%	19.73%
5 years	-1.53	-1.10
Annual average	-0.31	-0.22
10 years	68.12	62.62
Annual average	5.33	4.98
Annual average Life of fund (since 6/25/93)	5.33	4.98

PRICE AND DISTRIBUTION INFORMATION 12 MONTHS ENDED 5/31/03

Putnam Managed High Yield Trust	
Distributions (number)	12
Income 1	\$0.7622
Capital gains 1	--
Return of capital 2	\$0.0138
Total	\$0.7760
Share value:	NAV Market price

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5/31/02	\$8.50	\$9.48
5/31/03	8.45	9.02
Current return (end of period)		
Current dividend rate 3	8.52%	7.98%

1 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.

2 See page 43 for details.

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

Terms and definitions

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

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

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

Comparative indexes

JP Morgan Developed High Yield Index is an unmanaged index of high-yield debt securities from developed countries.

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

Lehman Aggregate Bond Index is an unmanaged index used as a general measure of U.S. fixed-income securities.

Lehman GNMA Index is an unmanaged index of GNMA securities.

Lehman Municipal Bond Index is an unmanaged index of long-term fixed-rate investment-grade tax-exempt bonds.

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

Russell 2000 Index is an unmanaged index of common stocks that generally measure performance of small to midsize companies within the Russell 3000 Index.

Morgan Stanley Capital International (MSCI) EAFE Index is an unmanaged index of international stocks from Europe, Australasia, and the Far East.

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.

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

Putnam's policy on confidentiality

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

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

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

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

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

A guide to the financial statements

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

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

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

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

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

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

Report of independent accountants

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

We have audited the accompanying statement of assets and liabilities of Putnam Managed High Yield Trust, including the fund's portfolio, as of May 31, 2003, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended and financial highlights for each of the years in the three-year period then ended. These financial statements and financial highlights are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for each of the years in the two-year period ended May 31, 2000 were audited by other auditors whose report dated July 11, 2000, expressed an unqualified opinion on those financial highlights.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of May 31, 2003 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Putnam Managed High Yield Trust as of May 31, 2003, the results of its operations for the year then ended, the changes in its net assets for each

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of the years in the two-year period then ended and the financial highlights for each of the years in the three-year period then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Boston, Massachusetts
July 2, 2003

The fund's portfolio
May 31, 2003

Corporate bonds and notes (87.7%) (a)	Value
Principal amount	

Advertising and Marketing Services (0.2%)	

\$196,618 Interact Operating Co. notes 14s, 2003 (In default) (NON) (PIK)	\$20
100,000 Lamar Media Corp. company guaranty 7 1/4s, 2013	104,250
	104,270

Automotive (1.5%)	

45,000 ArvinMeritor, Inc. notes 8 3/4s, 2012	49,050
180,000 Collins & Aikman Products, Inc. company guaranty 11 1/2s, 2006	118,800
145,000 Collins & Aikman Products, Inc. company guaranty 10 3/4s, 2011	125,425
35,000 Dana Corp. notes 10 1/8s, 2010	38,150
170,000 Dana Corp. notes 9s, 2011	177,225
EUR 15,000 Dana Corp. notes 9s, 2011	17,905
\$15,000 Dana Corp. notes 7s, 2029	12,675
35,000 Delco Remy International, Inc. company guaranty 11s, 2009	22,050
55,000 Delco Remy International, Inc. company guaranty 10 5/8s, 2006	35,750
150,000 Dura Operating Corp. company guaranty Ser. D, 9s, 2009	132,750
150,000 Lear Corp. company guaranty Ser. B, 8.11s, 2009	167,250
EUR 30,000 Lear Corp. sr. notes 8 1/8s, 2008	37,882
\$30,000 Tenneco Automotive, Inc. company guaranty Ser. B, 11 5/8s, 2009	26,850
	961,762

Basic Materials (10.2%)	

185,000 Acetex Corp. sr. notes 10 7/8s, 2009 (Canada)	205,350
205,000 AK Steel Corp. company guaranty 7 3/4s, 2012	162,975
180,000 Appleton Papers, Inc. company guaranty Ser. B, 12 1/2s, 2008	202,500
80,000 Armco, Inc. sr. notes 8 7/8s, 2008	64,400

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	130,000	Avecia Group PLC company guaranty 11s, 2009 (United Kingdom)	114,400
	105,000	Better Minerals & Aggregates Co. company guaranty 13s, 2009	71,400
	100,000	Compass Minerals Group, Inc. company guaranty 10s, 2011	111,000
	148,688	Doe Run Resources Corp. company guaranty Ser. A1, 11 3/4s, 2008 (acquired various dates from 7/27/01 to 4/1/03, cost \$95,137) (RES) (PIK)	59,475
	35,000	Equistar Chemicals LP notes 6 1/2s, 2006	33,250
	35,000	Equistar Chemicals LP notes 8 3/4s, 2009	33,250
	260,000	Equistar Chemicals LP/Equistar Funding Corp. company guaranty 10 1/8s, 2008	263,900
	60,000	Equistar Chemicals LP/Equistar Funding Corp. 144A sr. notes 10 5/8s, 2011	60,900
	45,000	Four M Corp. sr. notes Ser. B, 12s, 2006	45,900
	75,000	Georgia-Pacific Corp. debs. 9 1/2s, 2011	77,625
	45,000	Georgia-Pacific Corp. debs. 7.7s, 2015	40,950
	55,000	Georgia-Pacific Corp. notes 8 1/8s, 2011	53,350
	25,000	Georgia-Pacific Corp. notes 7 1/2s, 2006	24,875
	135,000	Georgia-Pacific Corp. 144A sr. notes 8 7/8s, 2010	140,400
	330,000	Hercules, Inc. company guaranty 11 1/8s, 2007	379,500
	67,581	Huntsman Corp. bank term loan FRN Ser. A, 6.129s, 2007 (acquired various dates from 6/10/02 to 7/17/02, cost 58,035) (RES)	60,710
	32,419	Huntsman Corp. bank term loan FRN Ser. B, 8 1/8s, 2007 (acquired various dates from 6/10/02 to 7/17/02, cost \$27,840) (RES)	29,123
	180,000	Huntsman ICI Chemicals, Inc. company guaranty 10 1/8s, 2009	170,550
	250,000	Huntsman ICI Holdings sr. disc. notes zero %, 2009	95,000
EUR	90,000	Huntsman International, LLC sr. sub. notes Ser. EXCH, 10 1/8s, 2009	93,668
	\$108,000	IMC Global, Inc. company guaranty Ser. B, 10 7/8s, 2008	119,880
	230,000	ISP Chemco, Inc. company guaranty Ser. B, 10 1/4s, 2011	250,700
	40,000	ISP Holdings, Inc. sec. sr. notes Ser. B, 10 5/8s, 2009	41,200
	10,000	Kaiser Aluminum & Chemical Corp. sr. notes Ser. B, 10 7/8s, 2006 (In default) (NON)	7,000
	305,000	Kaiser Aluminum & Chemical Corp. sr. sub. notes 12 3/4s, 2003 (In default) (NON)	18,300
	70,000	Louisiana-Pacific Corp. sr. notes	

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	8 7/8s, 2010	78,750
55,000	Lyondell Chemical Co. bonds 11 1/8s, 2012	55,825
20,000	Lyondell Chemical Co. company guaranty 9 1/2s, 2008	19,200
140,000	Lyondell Chemical Co. notes Ser. A, 9 5/8s, 2007	137,550
85,000	Lyondell Chemical Co. sr. sub. notes 10 7/8s, 2009	79,475
140,000	Lyondell Chemical Co. 144A sec. notes 9 1/2s, 2008	134,400
EUR	10,000 MDP Acquisitions PLC sr. notes 10 1/8s, 2012 (Ireland)	12,566
\$80,000	MDP Acquisitions PLC sr. notes 9 5/8s, 2012 (Ireland)	86,100
53,926	MDP Acquisitions PLC sub. notes 15 1/2s, 2013 (Ireland) (PIK)	61,206
30,000	MDP Acquisitions PLC 144A sr. notes 9 5/8s, 2012 (Ireland)	32,288
210,000	Millennium America, Inc. company guaranty 9 1/4s, 2008	226,800
35,000	Millennium America, Inc. 144A sr. notes 9 1/4s, 2008	37,800
90,000	Noveon International company guaranty Ser. B, 11s, 2011	100,800
135,000	OM Group, Inc. company guaranty 9 1/4s, 2011	117,450
70,000	Oregon Steel Mills, Inc. company guaranty 10s, 2009	63,000
125,000	Pacifica Papers, Inc. sr. notes 10s, 2009 (Canada)	131,250
31,547	PCI Chemicals Canada sec. sr. notes 10s, 2008 (Canada)	27,130
70,155	Pioneer Cos., Inc. sec. FRN 4.79s, 2006	59,281
145,000	Potlatch Corp. company guaranty 10s, 2011	156,963
55,000	Resolution Performance Products, LLC 144A sr. notes 9 1/2s, 2010	55,000
5,000	Rhodia SA 144A sr. sub. notes 8 7/8s, 2011 (France)	5,013
370,000	Riverwood International Corp. company guaranty 10 7/8s, 2008	380,638
125,000	Royster-Clark, Inc. 1st mtge. 10 1/4s, 2009	101,250
110,000	Salt Holdings Corp. 144A sr. disc. notes stepped-coupon zero % (12s, 6/1/06), 2013 (STP)	61,600
70,000	Salt Holdings Corp. 144A sr. notes stepped-coupon zero % (12 3/4s, 12/15/07), 2012 (STP)	47,600
5,000	Smurfit-Stone Container Corp. company guaranty 8 1/4s, 2012	5,225
135,000	Solutia, Inc. company guaranty 11 1/4s, 2009	108,000
105,000	Steel Dynamics, Inc. company guaranty 9 1/2s, 2009	108,150
25,566	Sterling Chemicals, Inc. sec. notes 10s, 2007	22,882
40,000	Stone Container Corp. sr. notes 9 3/4s, 2011	43,400
140,000	Stone Container Corp. sr. notes	

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	9 1/4s, 2008	150,500
140,000	Stone Container Corp. sr. notes 8 3/8s, 2012	146,650
110,000	Stone Container Corp. 144A company guaranty 11 1/2s, 2006 (Canada)	117,150
50,000	Tembec Industries, Inc. company guaranty 8 5/8s, 2009 (Canada)	49,500
135,000	Tembec Industries, Inc. company guaranty 8 1/2s, 2011 (Canada)	133,650
60,000	Tembec Industries, Inc. company guaranty 7 3/4s, 2012 (Canada)	57,000
40,000	Texas Petrochemical Corp. sr. sub. notes Ser. B, 11 1/8s, 2006	13,600
125,000	Ucar Finance, Inc. company guaranty 10 1/4s, 2012	120,156
90,000	WCI Steel, Inc. sr. notes Ser. B, 10s, 2004	24,300
11,000	Weirton Steel Corp. sr. notes 10s, 2008 (In default) (NON)	1,100
120,000	Wheeling-Pittsburgh Steel Corp. sr. notes 9 1/4s, 2007 (In default) (NON)	600
80,000	WHX Corp. sr. notes 10 1/2s, 2005	68,000

		6,470,329
Beverage (0.1%)		

30,000	Constellation Brands, Inc. company guaranty 8 1/2s, 2009	31,313
45,000	Constellation Brands, Inc. sr. sub. notes Ser. B, 8 1/8s, 2012	47,138

		78,451
Broadcasting (3.1%)		

4,000	Acme Communications, Inc. sr. disc. notes Ser. B, 12s, 2005	4,090
210,000	British Sky Broadcasting PLC company guaranty 6 7/8s, 2009 (United Kingdom)	231,000
220,000	DirecTV Holdings, LLC 144A sr. notes 8 3/8s, 2013	243,650
440,000	Diva Systems Corp. sr. disc. notes Ser. B, 12 5/8s, 2008 (In default) (NON)	14,300
35,000	Echostar DBS Corp. sr. notes 9 3/8s, 2009	37,494
80,000	Echostar DBS Corp. sr. notes 9 1/8s, 2009	89,000
15,000	Emmis Communications Corp. sr. disc. notes stepped-coupon zero % (12 1/2s, 3/15/06), 2011 (STP)	12,975
10,000	Granite Broadcasting Corp. sr. sub. notes 10 3/8s, 2005	9,950
115,000	Granite Broadcasting Corp. sr. sub. notes 9 3/8s, 2005	112,844
145,000	Granite Broadcasting Corp. sr. sub. notes 8 7/8s, 2008	139,200
55,000	Gray Television, Inc. company guaranty 9 1/4s, 2011	59,675
5,000	Knology, Inc. 144A sr. notes 12s,	

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	2009 (PIK)	3,950
70,000	LIN Television Corp. company guaranty 8 3/8s, 2008	73,063
40,000	LIN Television Corp. company guaranty 8s, 2008	42,800
30,000	LIN Television Corp. 144A sr. sub. notes 6 1/2s, 2013	30,000
70,000	Pegasus Satellite sr. notes 12 3/8s, 2006	63,700
350,375	Quorum Broadcast Holdings, LLC notes stepped-coupon zero % (15s, 5/15/06), 2009 (STP)	245,263
52,000	RCN Corp. sr. disc. notes Ser. B, zero %, 2008	19,500
60,000	Sinclair Broadcast Group, Inc. company guaranty 8 3/4s, 2011	64,950
30,000	Sinclair Broadcast Group, Inc. 144A company guaranty 8s, 2012	31,763
381,000	Young Broadcasting, Inc. company guaranty 10s, 2011	398,145
21,000	Young Broadcasting, Inc. company guaranty Ser. B, 8 3/4s, 2007	21,105
	-----	1,948,417
 Building Materials (0.6%)		

55,000	Atrium Cos., Inc. company guaranty Ser. B, 10 1/2s, 2009	58,438
60,000	Building Materials Corp. company guaranty 8s, 2008	53,400
95,000	Dayton Superior Corp. company guaranty 13s, 2009	81,225
90,000	Nortek, Inc. sr. notes Ser. B, 8 7/8s, 2008	93,375
10,000	Nortek, Inc. sr. sub. notes Ser. B, 9 7/8s, 2011	10,475
60,000	Nortek, Inc. 144A sr. notes Ser. B, 9 1/8s, 2007	62,400
5,000	Owens Corning bonds 7 1/2s, 2018 (In default) (NON)	1,925
120,000	Owens Corning notes 7 1/2s, 2005 (In default) (NON)	46,200
	-----	407,438
 Cable Television (2.1%)		

10,000	Adelphia Communications Corp. notes Ser. B, 9 7/8s, 2005 (In default) (NON)	5,500
20,000	Adelphia Communications Corp. sr. notes 10 7/8s, 2010 (In default) (NON)	11,100
90,000	Adelphia Communications Corp. sr. notes 10 1/4s, 2011 (In default) (NON)	49,950
5,000	Adelphia Communications Corp. sr. notes 10 1/4s, 2006 (In default) (NON)	2,750
5,000	Adelphia Communications Corp. sr. notes 9 3/8s, 2009 (In default) (NON)	2,825

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40,000	Adelphia Communications Corp. sr. notes Ser. B, 9 7/8s, 2007 (In default) (NON)	22,000
9,407	Australis Media, Ltd. sr. disc. notes 15 3/4s, 2003 (Australia) (In default) (NON) (DEF)	1
70,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (12 1/8s, 1/15/07), 2012 (STP)	30,800
35,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (11 3/4s, 5/15/06), 2011 (STP)	16,275
55,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (11 3/4s, 1/15/05), 2010 (STP)	30,250
140,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (9.92s, 4/1/04), 2011 (STP)	86,800
290,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 11 1/8s, 2011	211,700
200,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 3/4s, 2009	146,000
75,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 1/4s, 2010	53,625
110,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10s, 2011	79,200
75,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 9 5/8s, 2009	54,000
50,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 8 5/8s, 2009	36,000
20,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 8 1/4s, 2007	14,600
165,000	CSC Holdings, Inc. sr. notes 7 7/8s, 2007	169,538
55,000	Insight Midwest LP/Insight Capital, Inc. sr. notes 10 1/2s, 2010	59,400
90,000	Olympus Cable bank term loan FRN Ser. B, 6 1/4s, 2010 (acquired 6/20/02, cost \$78,435) (RES)	79,470
20,000	Rogers Cablesystems, Ltd. sr. notes Ser. B, 10s, 2005 (Canada)	21,400
320,000	TeleWest Communications PLC debs. 11s, 2007 (United Kingdom) (In default) (NON)	94,400
146,000	United Pan-Europe NV sr. disc. notes 12 1/2s, 2009 (Netherlands) (In default) (NON)	18,615
240,000	United Pan-Europe NV sr. disc. notes stepped-coupon zero % (13 3/4s, 2/1/05), 2010 (Netherlands) (In default) (NON) (STP)	30,000

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	20,000 United Pan-Europe NV 144A bonds 10 7/8s, 2009 (Netherlands) (In default) (NON)	4,100
		1,330,299
Capital Goods (9.1%)		
	40,000 Advanced Glass Fiber Yarns bank term loan FRN Ser. A, 6 3/4s, 2004 (acquired 9/12/02, cost \$28,000) (RES)	24,000
	50,000 Advanced Glass Fiber Yarns sr. sub. notes 9 7/8s, 2009 (In default) (NON)	2,500
	155,000 AEP Industries, Inc. sr. sub. notes 9 7/8s, 2007	151,900
	75,000 Allied Waste North America, Inc. company guaranty Ser. B, 8 7/8s, 2008	80,063
	240,000 Allied Waste North America, Inc. company guaranty Ser. B, 8 1/2s, 2008	253,800
	330,000 Allied Waste North America, Inc. company guaranty Ser. B, 7 5/8s, 2006	339,075
	195,000 Allied Waste North America, Inc. 144A company guaranty 9 1/4s, 2012	209,138
	40,000 Applied Extrusion Technologies, Inc. company guaranty Ser. B, 10 3/4s, 2011	29,200
	360,000 Argo-Tech Corp. company guaranty 8 5/8s, 2007	327,600
	80,000 Argo-Tech Corp. company guaranty Ser. D, 8 5/8s, 2007	72,800
	5,000 BE Aerospace, Inc. sr. sub. notes Ser. B, 8 7/8s, 2011	3,600
	230,000 BE Aerospace, Inc. sr. sub. notes Ser. B, 8s, 2008	166,750
	35,000 Berry Plastics Corp. company guaranty 10 3/4s, 2012	38,150
	210,000 Blount, Inc. company guaranty 13s, 2009	163,800
	150,000 Blount, Inc. company guaranty 7s, 2005	139,500
	60,000 Browning-Ferris Industries, Inc. debs. 7.4s, 2035	54,900
	100,000 Browning-Ferris Industries, Inc. sr. notes 6 3/8s, 2008	96,000
EUR	45,000 BSN Financing Co. SA company guaranty Ser. EUR, 10 1/4s, 2009 (Luxembourg)	51,332
	\$75,000 Crown Holdings SA 144A sec. notes 10 7/8s, 2013 (France)	79,125
	240,000 Crown Holdings SA 144A sec. notes 9 1/2s, 2011 (France)	250,200
	240,000 Decrane Aircraft Holdings Co. company guaranty Ser. B, 12s, 2008	108,000
	105,000 Earle M. Jorgensen Co. sec. notes 9 3/4s, 2012	109,725
	175,000 FIMEP SA 144A sr. notes 10 1/2s, 2013 (France)	191,625

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	88,000	Flowserve Corp. company guaranty 12 1/4s, 2010	101,200
	15,000	Fonda Group, Inc. sr. sub. notes Ser. B, 9 1/2s, 2007	7,350
	25,000	Hexcel Corp. sr. sub. notes 9 3/4s, 2009	24,188
	90,000	High Voltage Engineering Corp. sr. notes 10 3/4s, 2004	14,400
	180,000	Insilco Holding Co. sr. disc. notes stepped-coupon zero % (14s, 8/15/03), 2008 (In default) (NON) (STP)	3,600
EUR	50,000	Invensys, PLC sr. unsub. notes 5 1/2s, 2005 (United Kingdom)	51,097
	\$80,000	Jordan Industries, Inc. sr. notes Ser. D, 10 3/8s, 2007	33,600
	65,000	K&F Industries, Inc. sr. sub. notes Ser. B, 9 5/8s, 2010	69,713
	30,000	K&F Industries, Inc. sr. sub. notes Ser. B, 9 1/4s, 2007	31,388
	200,000	L-3 Communications Corp. sr. sub. notes 8 1/2s, 2008	208,500
	125,000	Laidlaw International, Inc. 144A sr. notes 10 3/4s, 2011	125,625
	75,000	Laidlaw, Inc. debs. 8 3/4s, 2025 (Canada) (In default) (NON)	37,406
	20,000	Laidlaw, Inc. debs. 8 1/4s, 2023 (Canada) (In default) (NON)	10,175
	190,000	Laidlaw, Inc. notes 7.65s, 2006 (Canada) (In default) (NON)	96,188
	50,000	Manitowoc Co., Inc. (The) company guaranty 10 1/2s, 2012	55,125
EUR	25,000	Manitowoc Co., Inc. (The) company guaranty 10 3/8s, 2011	30,870
	\$200,000	Motors and Gears, Inc. sr. notes Ser. D, 10 3/4s, 2006	174,000
	245,000	Owens-Brockway Glass company guaranty 8 7/8s, 2009	259,700
	130,000	Owens-Brockway Glass sr. sec. notes 8 3/4s, 2012	138,288
	95,000	Owens-Brockway Glass 144A sr. notes 8 1/4s, 2013	95,950
	90,000	Owens-Brockway Glass 144A sr. sec. notes 7 3/4s, 2011	92,025
	75,000	Oxford Industries Inc. 144A sr. notes 8 7/8s, 2011	75,375
	35,000	Pliant Corp. company guaranty 13s, 2010	32,200
	90,000	Pliant Corp. 144A sec. notes 11 1/8s, 2009	92,700
	130,000	Roller Bearing Company of America company guaranty Ser. B, 9 5/8s, 2007	110,500
	250,000	Sequa Corp. sr. notes Ser. B, 8 7/8s, 2008	262,500
	40,000	Siebe PLC 144A notes 7 1/8s, 2007 (United Kingdom)	33,400
	35,000	Siebe PLC 144A sr. unsub. 6 1/2s, 2010 (United Kingdom)	26,425
	40,000	Sweetheart Cup Co. company guaranty 12s, 2004	34,800
	205,000	Tekni-Plex, Inc. company guaranty	

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	Ser. B, 12 3/4s, 2010	200,388
	35,000 Terex Corp. company guaranty 8 7/8s, 2008	35,525
	175,000 Terex Corp. company guaranty Ser. B, 10 3/8s, 2011	186,375
	60,000 Trimas Corp. company guaranty 9 7/8s, 2012	60,600
	45,000 Trimas Corp. 144A company guaranty 9 7/8s, 2012	45,450
		5,799,409
<hr style="border-top: 1px dashed black;"/>		
Commercial and Consumer Services (0.5%)		
	190,000 Coinmach Corp. sr. notes 9s, 2010	200,925
	200,467 Derby Cycle Corp. (The) sr. notes 10s, 2008 (In default) (NON)	11,026
EUR	107,751 Derby Cycle Corp. (The) sr. notes 9 3/8s, 2008 (In default) (NON)	3,563
	\$115,000 IESI Corp. company guaranty 10 1/4s, 2012	118,450
	110,000 Outsourcing Solutions, Inc. sr. sub. notes Ser. B, 11s, 2006 (In default) (NON)	1,100
		335,064
<hr style="border-top: 1px dashed black;"/>		
Communication Services (7.6%)		
	40,000 Airgate PCS, Inc. sr. sub. notes stepped-coupon zero % (13 1/2s, 10/1/04), 2009 (STP)	18,400
	120,000 Alamosa Delaware, Inc. company guaranty 13 5/8s, 2011	91,200
	50,000 Alamosa Delaware, Inc. company guaranty 12 1/2s, 2011	36,750
	160,000 Alamosa PCS Holdings, Inc. company guaranty stepped-coupon zero % (12 7/8s, 2/15/05), 2010 (STP)	85,600
	200,000 American Cellular Corp. company guaranty 9 1/2s, 2009	75,000
	90,000 American Tower Corp. sr. notes 9 3/8s, 2009	88,650
	170,000 American Tower Escrow Corp. 144A disc. notes zero %, 2008	106,250
	100,000 Asia Global Crossing, Ltd. sr. notes 13 3/8s, 2010 (Bermuda) (In default) (NON)	13,000
	318,870 Colo.com, Inc. 144A sr. notes 13 7/8s, 2010 (In default) (NON)	6,377
	10,000 Colt Telecommunications Group PLC sr. disc. notes 12s, 2006 (United Kingdom)	9,800
	80,000 Crown Castle International Corp. sr. disc. notes stepped-coupon zero % (10 3/8s, 5/15/04), 2011 (STP)	72,000
	145,000 Crown Castle International Corp. sr. notes 9 3/8s, 2011	145,000
	50,000 Crown Castle International Corp. sr. notes 9s, 2011	49,500
	150,000 Dobson/Sygnnet Communications, Inc. sr. notes 12 1/4s, 2008	156,000
	65,000 Fairpoint Communications Inc. sr. sub. notes 12 1/2s, 2010	66,300

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200,000	Firstworld Communication Corp. sr. disc. notes zero %, 2008 (In default) (NON)	20
28,524	Globix Corp. company guaranty 11s, 2008 (PIK)	21,393
20,000	Horizon PCS, Inc. company guaranty 13 3/4s, 2011	2,400
200,000	iPCS, Inc. sr. disc. notes stepped-coupon zero % (14s, 7/15/05), 2010 (In default) (NON) (STP)	12,000
93,000	IWO Holdings, Inc. company guaranty 14s, 2011	17,670
80,000	Leap Wireless International, Inc. company guaranty 12 1/2s, 2010 (In default) (NON)	10,400
90,000	Madison River Capital Corp. sr. notes 13 1/4s, 2010	85,950
35,000	MCI Communications Corp. debs. 7 3/4s, 2025 (In default) (NON)	27,125
35,000	MCI Communications Corp. debs. 7 3/4s, 2024 (In default) (NON)	27,125
40,000	Metrocall, Inc. sr. sub. notes 9 3/4s, 2007 (In default) (NON)	800
200,000	Metromedia Fiber Network, Inc. sr. notes Ser. B, 10s, 2008 (In default) (NON)	10,000
133,000	Millicom International Cellular SA 144A sr. notes 11s, 2006 (Luxembourg)	125,020
76,000	Nextel Communications, Inc. bank term loan FRN Ser. A, 2.564s, 2007 (acquired 11/20/02, cost \$68,685) (RES)	72,248
5,000	Nextel Communications, Inc. sr. disc. notes 9.95s, 2008	5,225
70,000	Nextel Communications, Inc. sr. notes 9 1/2s, 2011	76,300
340,000	Nextel Communications, Inc. sr. notes 9 3/8s, 2009	364,650
190,000	Nextel Partners, Inc. sr. disc. notes stepped-coupon zero % (14s, 2/1/04), 2009 (STP)	192,375
80,000	Nextel Partners, Inc. sr. notes 12 1/2s, 2009	89,200
115,000	Nextel Partners, Inc. sr. notes 11s, 2010	123,625
90,000	Nextel Partners, Inc. sr. notes 11s, 2010	96,750
200,000	Orbital Imaging Corp. sr. notes Ser. B, 11 5/8s, 2005 (In default) (NON)	50,000
85,000	PanAmSat Corp. company guaranty 8 1/2s, 2012	90,950
30,000	Qwest Capital Funding, Inc. company guaranty 7 3/4s, 2006	27,150
410,000	Qwest Corp. 144A notes 8 7/8s, 2012	461,250
425,000	Qwest Services Corp. 144A notes 13 1/2s, 2010	483,438
10,000	Rogers Cantel, Ltd. debs. 9 3/8s, 2008 (Canada)	10,450
115,000	Rogers Cantel, Ltd. sr. sub. notes	

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	8.8s, 2007 (Canada)	116,725
40,000	Rogers Wireless, Inc. sec. notes 9 5/8s, 2011 (Canada)	44,400
80,000	SBA Communications Corp. sr. disc. notes 12s, 2008	74,000
85,000	SBA Communications Corp. sr. notes 10 1/4s, 2009	70,125
28,000	Telecorp PCS, Inc. company guaranty 10 5/8s, 2010	33,320
13,000	Telecorp PCS, Inc. company guaranty stepped-coupon zero % (11 5/8s, 4/15/04), 2009 (STP)	13,358
360,000	Telus Corp. notes 8s, 2011 (Canada)	412,650
40,000	Time Warner Telecom, Inc. sr. notes 10 1/8s, 2011	35,200
90,000	Time Warner Telecom, Inc. sr. notes 9 3/4s, 2008	79,200
135,000	Triton PCS, Inc. company guaranty 11s, 2008	143,100
35,000	Triton PCS, Inc. 144A sr. notes 8 1/2s, 2013	35,000
90,000	TSI Telecommunication Services, Inc. company guaranty Ser. B, 12 3/4s, 2009	87,300
87,000	UbiquiTel Operating Co. 144A company guaranty stepped-coupon zero % (14s, 4/15/05), 2010 (STP)	40,890
225,000	US UnWired, Inc. company guaranty stepped-coupon Ser. B, zero % (13 3/8s, 11/1/04), 2009 (STP)	81,000
75,000	US West Capital Funding, Inc. company guaranty 6 1/4s, 2005	69,563
	-----	4,839,172
 Conglomerates (1.0%)		

55,000	Tyco International Group SA company guaranty 6 3/4s, 2011 (Luxembourg)	56,238
320,000	Tyco International Group SA company guaranty 6 3/8s, 2006 (Luxembourg)	329,600
40,000	Tyco International Group SA company guaranty 6 3/8s, 2005 (Luxembourg)	41,300
215,000	Tyco International Group SA notes 6 3/8s, 2011 (Luxembourg)	215,538
	-----	642,676
 Consumer (1.0%)		

200,000	Icon Health & Fitness company guaranty 11 1/4s, 2012	210,000
100,000	Jostens, Inc. sr. sub. notes 12 3/4s, 2010	117,000
300,000	Samsonite Corp. sr. sub. notes 10 3/4s, 2008	300,000
	-----	627,000
 Consumer Goods (0.9%)		

125,000	Armkel, LLC/Armkel Finance sr. sub.	

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	notes 9 1/2s, 2009	139,688
20,000	Elizabeth Arden, Inc. sec. notes Ser. B, 11 3/4s, 2011	22,000
70,000	French Fragrances, Inc. company guaranty Ser. D, 10 3/8s, 2007	70,000
30,000	French Fragrances, Inc. sr. notes Ser. B, 10 3/8s, 2007	30,675
115,000	Playtex Products, Inc. company guaranty 9 3/8s, 2011	119,600
70,000	Polaroid Corp. sr. notes 11 1/2s, 2006 (In default) (NON)	4,900
130,000	Remington Arms Co., Inc. 144A company guaranty 10 1/2s, 2011	130,325
70,000	Revlon Consumer Products sr. notes 9s, 2006	42,700
65,000	Revlon Consumer Products sr. notes 8 1/8s, 2006	39,650
	-----	599,538
 Consumer Services (0.4%)		

70,000	Brand Services, Inc. company guaranty 12s, 2012	77,000
50,000	United Rentals (North America), Inc. company guaranty Ser. B, 10 3/4s, 2008	53,250
125,000	Williams Scotsman, Inc. company guaranty 9 7/8s, 2007	118,125
	-----	248,375
 Distribution (0.1%)		

120,000	Fleming Cos., Inc. company guaranty 10 1/8s, 2008 (In default) (NON)	19,200
90,000	Fleming Cos., Inc. sr. notes 9 1/4s, 2010 (In default) (NON)	15,750
	-----	34,950
 Energy (6.3%)		

120,000	Belden & Blake Corp. company guaranty Ser. B, 9 7/8s, 2007	112,800
60,000	Bluewater Finance, Ltd. 144A sr. notes 10 1/4s, 2012	60,600
110,000	BRL Universal Equipment sec. notes 8 7/8s, 2008	117,975
75,000	Chesapeake Energy Corp. company guaranty 9s, 2012	82,875
25,000	Chesapeake Energy Corp. sr. notes Ser. B, 8 1/2s, 2012	26,188
235,000	Chesapeake Energy Corp. 144A sr. notes 7 1/2s, 2013	244,400
5,000	Compton Petro Corp. sr. notes 9.9s, 2009 (Canada)	5,400
170,000	Comstock Resources, Inc. company guaranty 11 1/4s, 2007	182,750
140,000	Dresser, Inc. company guaranty 9 3/8s, 2011	141,400
20,000	El Paso Energy Partners LP company	

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	guaranty Ser. B, 8 1/2s, 2011	21,300
70,000	Encore Acquisition Co. company guaranty 8 3/8s, 2012	74,200
125,000	Forest Oil Corp. company guaranty 7 3/4s, 2014	128,125
50,000	Forest Oil Corp. sr. notes 8s, 2011	52,875
55,000	Forest Oil Corp. sr. notes 8s, 2008	58,025
140,000	Gazprom OAO 144A notes 9 5/8s, 2013 (Russia)	156,660
50,000	Hornbeck Offshore Services, Inc. sr. notes 10 5/8s, 2008	54,250
50,000	Key Energy Services, Inc. sr. notes 6 3/8s, 2013	50,688
15,000	Leviathan Gas Corp. company guaranty Ser. B, 10 3/8s, 2009	16,125
130,000	Newfield Exploration Co. sr. notes 7 5/8s, 2011	143,000
100,000	Parker Drilling Co. company guaranty Ser. B, 10 1/8s, 2009	104,500
30,000	Pemex Project Funding Master Trust 144A bonds 8 5/8s, 2022	35,100
65,000	Pemex Project Funding Master Trust 144A notes 7 3/8s, 2014	71,825
270,000	Pioneer Natural Resources Co. company guaranty 9 5/8s, 2010	332,422
20,000	Pioneer Natural Resources Co. company guaranty 7.2s, 2028	21,600
70,000	Plains All American Pipeline LP/Plains All American Finance Corp. company guaranty 7 3/4s, 2012	76,300
100,000	Plains Exploration & Production Co. company guaranty Ser. B, 8 3/4s, 2012	106,500
80,000	Plains Exploration & Production Co. 144A sr. sub. notes 8 3/4s, 2012	85,200
110,000	Pogo Producing Co. sr. sub. notes Ser. B, 8 1/4s, 2011	121,000
10,000	Pride International, Inc. sr. notes 10s, 2009	10,925
125,000	Pride Petroleum Services, Inc. sr. notes 9 3/8s, 2007	129,375
135,000	Star Gas Partners LP/Star Gas Finance Co. 144A sr. notes 10 1/4s, 2013	138,375
50,000	Stone Energy Corp. company guaranty 8 3/4s, 2007	52,000
80,000	Stone Energy Corp. sr. sub. notes 8 1/4s, 2011	84,000
60,000	Swift Energy Co. sr. sub. notes 10 1/4s, 2009	63,600
95,000	Swift Energy Co. sr. sub. notes 9 3/8s, 2012	99,275
60,000	Tesoro Petroleum Corp. 144A sr. disc. notes 8s, 2008	60,000
130,000	Trico Marine Services, Inc. company guaranty 8 7/8s, 2012	114,400
25,000	Universal Compression, Inc. 144A sr. notes 7 1/4s, 2010	25,281
45,000	Vintage Petroleum, Inc. sr. notes 8 1/4s, 2012	48,600
160,000	Vintage Petroleum, Inc. sr. sub. notes 9 3/4s, 2009	170,800

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25,000	Vintage Petroleum, Inc. sr. sub. notes 7 7/8s, 2011	25,938
155,000	Westport Resources Corp. company guaranty 8 1/4s, 2011	168,175
65,000	Westport Resources Corp. 144A company guaranty 8 1/4s, 2011	70,525
25,000	XTO Energy, Inc. sr. notes 7 1/2s, 2012	27,625
40,000	XTO Energy, Inc. 144A sr. notes 6 1/4s, 2013	41,700
	-----	4,014,677
 Entertainment (1.8%)		

80,000	AMC Entertainment, Inc. sr. sub. notes 9 7/8s, 2012	83,400
160,000	AMC Entertainment, Inc. sr. sub. notes 9 1/2s, 2009	163,200
150,000	Cinemark USA, Inc. sr. sub. notes Ser. B, 8 1/2s, 2008	153,750
80,000	Cinemark USA, Inc. 144A sr. sub. notes 9s, 2013	86,000
35,000	Cinemark USA, Inc. 144A sr. sub. notes 9s, 2013	37,625
120,000	Premier Parks, Inc. sr. notes 10s, 2007	120,300
75,000	Regal Cinemas, Inc. company guaranty Ser. B, 9 3/8s, 2012	81,188
100,000	Silver Cinemas, Inc. sr. sub. notes 10 1/2s, 2005 (In default) (NON)	10
460,000	Six Flags, Inc. sr. notes 8 7/8s, 2010	438,725
	-----	1,164,198
 Financial (2.3%)		

180,000	Advanta Corp. 144A company guaranty Ser. B, 8.99s, 2026	92,700
70,000	Chevy Chase Savings Bank, Inc. sub. debts. 9 1/4s, 2005	70,175
20,000	Crescent Real Estate Equities LP notes 7 1/2s, 2007 (R)	20,300
145,000	Crescent Real Estate Equities LP sr. notes 9 1/4s, 2009 (R)	155,571
404,000	Finova Group, Inc. notes 7 1/2s, 2009	164,630
54,000	Imperial Credit Industries, Inc. sec. notes 12s, 2005 (In default) (NON)	135
90,000	iStar Financial, Inc. sr. notes 8 3/4s, 2008 (R)	96,750
80,000	iStar Financial, Inc. sr. notes 7s, 2008 (R)	82,600
61,000	Nationwide Credit, Inc. sr. notes Ser. A, 10 1/4s, 2008 (In default) (NON)	305
160,000	Peoples Bank - Bridgeport sub. notes 9 7/8s, 2010 (acquired 1/12/01, cost \$166,509) (RES)	195,324
220,000	Resource America, Inc. 144A sr.	

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	notes 12s, 2004	220,000
140,000	Sovereign Bancorp, Inc. sr. notes 10 1/2s, 2006	168,700
85,000	UBS AG/Jersey Branch sr. notes Ser. EMTN, 9.14s, 2008 (Jersey)	85,000
100,000	Western Financial Bank sub. debts. 9 5/8s, 2012	106,000
		1,458,190
Food (1.2%)		
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59,803	Archibald Candy Corp. company guaranty 10s, 2007 (PIK)	35,882
160,000	Aurora Foods, Inc. 144A sr. sub. notes Ser. D, 9 7/8s, 2007	67,200
35,000	Dean Foods Co. sr. notes 6 5/8s, 2009	36,313
40,000	Del Monte Corp. company guaranty Ser. B, 9 1/4s, 2011	43,500
100,000	Del Monte Corp. 144A sr. sub. notes 8 5/8s, 2012	106,125
35,000	Dole Food Co. sr. notes 7 1/4s, 2009	36,925
45,000	Dole Food Co. 144A sr. notes 8 7/8s, 2011	47,700
130,000	Eagle Family Foods company guaranty Ser. B, 8 3/4s, 2008	87,100
195,000	Land O'Lakes, Inc. sr. notes 8 3/4s, 2011	146,250
110,000	Premier International Foods PLC sr. notes 12s, 2009 (United Kingdom)	121,000
245,000	Vlasic Foods International, Inc. sr. sub. notes Ser. B, 10 1/4s, 2009 (In default) (NON)	49,000
		776,995
Gaming & Lottery (5.6%)		
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80,000	Aladdin Gaming Holdings, LLC sr. disc. notes Ser. B, 13 1/2s, 2010 (In default) (NON)	400
110,000	Ameristar Casinos, Inc. company guaranty 10 3/4s, 2009	122,100
155,000	Argosy Gaming Co. company guaranty 10 3/4s, 2009	168,950
20,000	Argosy Gaming Co. sr. sub. notes 9s, 2011	21,350
120,000	Boyd Gaming Corp. sr. sub. notes 8 3/4s, 2012	128,400
70,000	Chumash Casino & Resort Enterprise 144A sr. notes 9s, 2010	75,250
115,000	Herbst Gaming, Inc. sec. notes Ser. B, 10 3/4s, 2008	125,350
40,000	Herbst Gaming, Inc. 144A sec. sr. notes 10 3/4s, 2008	43,600
140,000	Hollywood Park, Inc. company guaranty Ser. B, 9 1/4s, 2007	133,350
180,000	Horseshoe Gaming Holdings company guaranty 8 5/8s, 2009	189,900
155,000	International Game Technology sr. notes 8 3/8s, 2009	186,388

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165,000	Majestic Investor Holdings/Capital Corp. company guaranty 11.653s, 2007	163,350
10,000	MGM Mirage, Inc. coll. sr. notes 6 7/8s, 2008	10,575
230,000	MGM Mirage, Inc. company guaranty 8 1/2s, 2010	263,925
15,000	MGM Mirage, Inc. company guaranty 8 3/8s, 2011	16,538
60,000	Mirage Resorts, Inc. notes 6 3/4s, 2008	63,300
20,000	Mohegan Tribal Gaming Authority sr. notes 8 1/8s, 2006	21,350
130,000	Mohegan Tribal Gaming Authority sr. sub. notes 8 3/4s, 2009	137,150
40,000	Mohegan Tribal Gaming Authority sr. sub. notes 8 3/8s, 2011	42,500
130,000	Mohegan Tribal Gaming Authority sr. sub. notes 8s, 2012	137,150
175,000	Park Place Entertainment Corp. sr. notes 7 1/2s, 2009	187,250
95,000	Park Place Entertainment Corp. sr. sub. notes 8 7/8s, 2008	103,075
20,000	Park Place Entertainment Corp. sr. sub. notes 8 1/8s, 2011	21,150
65,000	Park Place Entertainment Corp. 144A sr. notes 7s, 2013	66,950
80,000	Penn National Gaming, Inc. company guaranty Ser. B, 11 1/8s, 2008	88,000
205,000	Penn National Gaming, Inc. sr. sub. notes 8 7/8s, 2010	215,250
40,000	Pinnacle Entertainment, Inc. sr. sub. notes Ser. B, 9 1/2s, 2007	38,300
55,000	Resorts International Hotel and Casino, Inc. company guaranty 11 1/2s, 2009	49,913
80,000	Riviera Holdings Corp. company guaranty 11s, 2010	75,600
140,000	Station Casinos, Inc. sr. notes 8 3/8s, 2008	149,800
70,000	Trump Atlantic City Associates company guaranty 11 1/4s, 2006	53,550
260,000	Trump Casino Holdings, LLC 144A mtge. 11 5/8s, 2010	239,200
175,000	Venetian Casino Resort, LLC company guaranty 11s, 2010	191,406
15,000	Wheeling Island Gaming, Inc. company guaranty 10 1/8s, 2009	15,150
	-----	3,545,470

Health Care (6.6%)

80,000	ALARIS Medical Systems, Inc. company guaranty 9 3/4s, 2006	82,800
140,000	ALARIS Medical Systems, Inc. sec. notes Ser. B, 11 5/8s, 2006	168,000
10,000	ALARIS Medical, Inc. sr. disc. notes stepped-coupon zero % (11 1/8s, 8/1/03), 2008 (STP)	10,450
303,400	Alderwoods Group, Inc. company guaranty 12 1/4s, 2009	315,536

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	2,400 Alderwoods Group, Inc. company guaranty 11s, 2007	2,430
	131,000 Alliance Imaging, Inc. sr. sub. notes 10 3/8s, 2011	129,690
	80,000 AmerisourceBergen Corp. company guaranty 7 1/4s, 2012	86,400
	100,000 AmerisourceBergen Corp. sr. notes 8 1/8s, 2008	109,750
	70,000 Bio-Rad Labs Corp. sr. sub. notes 11 5/8s, 2007	77,000
	150,000 Biovail Corp. sr. sub. notes 7 7/8s, 2010 (Canada)	158,250
	177,000 Conmed Corp. company guaranty 9s, 2008	184,523
	35,000 Dade Behring, Inc. company guaranty 11.91s, 2010	39,375
	90,000 Extencicare Health Services, Inc. company guaranty 9 1/2s, 2010	90,900
	105,000 Hanger Orthopedic Group, Inc. company guaranty 10 3/8s, 2009	112,350
	10,000 Hanger Orthopedic Group, Inc. sr. sub. notes 11 1/4s, 2009	10,750
	50,000 HCA, Inc. debs. 7.19s, 2015	54,475
	200,000 HCA, Inc. notes 8 3/4s, 2010	240,690
	60,000 HCA, Inc. notes 8.36s, 2024	68,352
	70,000 HCA, Inc. notes 7.69s, 2025	75,299
	10,000 HCA, Inc. notes 7s, 2007	10,851
	205,000 Healthsouth Corp. notes 7 5/8s, 2012 (In default) (NON)	136,325
	105,000 Healthsouth Corp. sr. notes 8 1/2s, 2008 (In default) (NON)	70,875
	45,000 Healthsouth Corp. sr. notes 8 3/8s, 2011 (In default) (NON)	29,925
	45,000 Healthsouth Corp. sr. sub. notes 10 3/4s, 2008 (In default) (NON)	16,650
	75,000 IASIS Healthcare Corp. company guaranty 13s, 2009	83,625
	35,000 IASIS Healthcare Corp. 144A sr. sub. notes 8 1/2s, 2009	35,044
	180,000 Integrated Health Services, Inc. sr. sub. notes Ser. A, 9 1/2s, 2007 (In default) (NON)	3,825
	110,000 Integrated Health Services, Inc. sr. sub. notes Ser. A, 9 1/4s, 2008 (In default) (NON)	2,475
	130,000 Kinetic Concepts, Inc. company guaranty Ser. B, 9 5/8s, 2007	133,900
	250,000 Magellan Health Services, Inc. sr. sub. notes 9s, 2008 (In default) (NON)	87,500
	55,000 Magellan Health Services, Inc. 144A sr. notes 9 3/8s, 2007 (In default) (NON)	53,075
	180,000 Mediq, Inc. debs. stepped-coupon zero % (13s, 6/1/03), 2009 (In default) (NON) (STP)	18
	130,000 MedQuest, Inc. company guaranty Ser. B, 11 7/8s, 2012	126,750
EUR	65,000 NYCO Holdings 144A sr. notes 11 1/2s, 2013 (Denmark)	76,708
	\$90,000 Omnicare, Inc. company guaranty Ser. B, 8 1/8s, 2011	97,200

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205,000	PacifiCare Health Systems, Inc. company guaranty 10 3/4s, 2009	225,500
95,000	Province Healthcare Co. sr. sub. notes 7 1/2s, 2013	95,000
40,000	Service Corp. International debs. 7 7/8s, 2013	40,000
20,000	Service Corp. International notes 7.7s, 2009	20,200
15,000	Service Corp. International notes 7.2s, 2006	15,150
5,000	Service Corp. International notes 6 7/8s, 2007	4,975
20,000	Service Corp. International notes 6 1/2s, 2008	19,600
185,000	Service Corp. International notes 6s, 2005	185,925
50,000	Service Corp. International notes Ser. (a), 7.7s, 2009	50,500
130,000	Stewart Enterprises, Inc. notes 10 3/4s, 2008	144,950
140,000	Triad Hospitals Holdings company guaranty Ser. B, 11s, 2009	156,100
160,000	Triad Hospitals, Inc. company guaranty Ser. B, 8 3/4s, 2009	173,600
55,000	Ventas Realty LP/Capital Corp. company guaranty 9s, 2012	59,675
		----- 4,172,941

Homebuilding (1.9%)

80,000	Beazer Homes USA, Inc. company guaranty 8 5/8s, 2011	87,400
50,000	D.R. Horton, Inc. company guaranty 8 1/2s, 2012	54,750
120,000	D.R. Horton, Inc. sr. notes 7 7/8s, 2011	129,600
30,000	D.R. Horton, Inc. sr. notes 6 7/8s, 2013	30,300
30,000	K. Hovnanian Enterprises, Inc. company guaranty 10 1/2s, 2007	34,800
55,000	K. Hovnanian Enterprises, Inc. company guaranty 8 7/8s, 2012	58,300
80,000	K. Hovnanian Enterprises, Inc. company guaranty 8s, 2012	84,800
35,000	K. Hovnanian Enterprises, Inc. 144A sr. sub. notes 7 3/4s, 2013	35,613
145,000	KB Home sr. sub. notes 9 1/2s, 2011	159,500
10,000	KB Home sr. sub. notes 7 3/4s, 2010	10,550
135,000	Ryland Group, Inc. sr. notes 9 3/4s, 2010	153,900
95,000	Schuler Homes, Inc. company guaranty 10 1/2s, 2011	106,400
5,000	Technical Olympic USA, Inc. company guaranty 10 3/8s, 2012	5,225
25,000	Technical Olympic USA, Inc. company guaranty 9s, 2010	26,000
15,000	Technical Olympic USA, Inc. 144A sr. sub. notes 10 3/8s, 2012	15,675
100,000	Toll Corp. company guaranty 8 1/8s, 2009	105,500
30,000	WCI Communities, Inc. company	

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	guaranty 10 5/8s, 2011	32,475
90,000	WCI Communities, Inc. company guaranty 9 1/8s, 2012	92,925
		1,223,713
 Household Furniture and Appliances (0.5%)		
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130,000	Sealy Mattress Co. company guaranty Ser. B, zero %, 2002	126,750
170,000	Sealy Mattress Co. sr. sub. notes Ser. B, 9 7/8s, 2007	162,350
		289,100
 Lodging/Tourism (2.6%)		
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220,000	FelCor Lodging LP company guaranty 9 1/2s, 2008 (R)	220,000
155,000	Hilton Hotels Corp. notes 7 5/8s, 2012	166,238
55,000	HMH Properties, Inc. company guaranty Ser. A, 7 7/8s, 2005 (R)	56,100
545,000	HMH Properties, Inc. company guaranty Ser. B, 7 7/8s, 2008 (R)	543,638
55,000	HMH Properties, Inc. sr. notes Ser. C, 8.45s, 2008	56,375
60,000	Host Marriott LP company guaranty Ser. G, 9 1/4s, 2007 (R)	63,300
50,000	Host Marriott LP sr. notes Ser. E, 8 3/8s, 2006 (R)	50,875
105,000	ITT Corp. notes 6 3/4s, 2005	108,544
190,000	John Q. Hammons Hotels LP/John Q. Hammons Hotels Finance Corp. III 1st mtge. Ser. B, 8 7/8s, 2012	193,800
90,000	RFS Partnership LP company guaranty 9 3/4s, 2012	91,125
10,000	Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 7/8s, 2012	10,600
80,000	Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 3/8s, 2007	83,800
		1,644,395
 Media (0.2%)		
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	85,000 Capital Records Inc. 144A company guaranty 8 3/8s, 2009	82,864
GBP	20,000 EMI Group PLC company guaranty 9 3/4s, 2008 (United Kingdom)	32,567
		115,431
 Publishing (4.4%)		
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\$310,000	Affinity Group Holdings sr. notes 11s, 2007	313,875
45,000	CanWest Media, Inc. 144A notes 7 5/8s, 2013 (Canada)	47,250
80,000	Garden State Newspapers, Inc. sr. sub. notes 8 5/8s, 2011	82,200
50,000	Garden State Newspapers, Inc. sr.	

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	sub. notes Ser. B, 8 3/4s, 2009	51,000
80,000	Hollinger International Publishing, Inc. sr. notes 9s, 2010	83,800
258,356	Hollinger Participation Trust 144A sr. notes 12 1/8s, 2010 (Canada) (PIK)	273,857
90,000	Key3media Group, Inc. company guaranty 11 1/4s, 2011 (In default) (NON)	675
95,000	Mail-Well I Corp. company guaranty 9 5/8s, 2012	96,900
520,000	PRIMEDIA, Inc. company guaranty 8 7/8s, 2011	543,400
80,000	PRIMEDIA, Inc. company guaranty 7 5/8s, 2008	79,000
135,000	PRIMEDIA, Inc. 144A sr. notes 8s, 2013	135,338
60,000	Quebecor Media, Inc. sr. disc. notes stepped-coupon zero % (13 3/4s, 7/15/06), 2011 (Canada) (STP)	47,700
130,000	Quebecor Media, Inc. sr. notes 11 1/8s, 2011 (Canada)	144,300
130,000	RH Donnelley Finance Corp. I 144A sr. notes 8 7/8s, 2010	141,700
145,000	RH Donnelley Finance Corp. I 144A sr. sub. notes 10 7/8s, 2012	164,213
155,000	Vertis, Inc. company guaranty Ser. B, 10 7/8s, 2009	149,963
190,000	Vertis, Inc. 144A sec. notes 9 3/4s, 2009	190,950
110,000	Von Hoffman Press, Inc. company guaranty 10 1/4s, 2009	114,400
110,614	Von Hoffman Press, Inc. debs. 13s, 2009 (PIK)	99,553
	-----	2,760,074
 Restaurants (0.8%)		

40,000	Domino's, Inc. company guaranty Ser. B, 10 3/8s, 2009	43,850
100,000	Sbarro, Inc. company guaranty 11s, 2009	96,750
90,000	Yum! Brands, Inc. sr. notes 8 7/8s, 2011	103,050
50,000	Yum! Brands, Inc. sr. notes 8 1/2s, 2006	55,000
160,000	Yum! Brands, Inc. sr. notes 7.65s, 2008	175,600
	-----	474,250
 Retail (2.6%)		

100,000	Asbury Automotive Group, Inc. company guaranty 9s, 2012	94,000
160,000	Autonation, Inc. company guaranty 9s, 2008	174,400
65,000	Gap, Inc. (The) notes 6.9s, 2007	69,875
65,000	Hollywood Entertainment Corp. sr. sub. notes 9 5/8s, 2011	69,225
140,000	J. Crew Operating Corp. 144A sr. sub. notes 10 3/8s, 2007	131,600

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185,000	JC Penney Co., Inc. debs. 7.95s, 2017	178,525
15,000	JC Penney Co., Inc. debs. 7.65s, 2016	14,250
35,000	JC Penney Co., Inc. notes 9s, 2012	37,450
5,000	JC Penney Co., Inc. notes 8s, 2010	5,113
60,000	JC Penney Co., Inc. notes Ser. MTNA, 7.05s, 2005	61,800
60,000	NBTY, Inc. sr. sub. notes Ser. B, 8 5/8s, 2007	61,650
40,000	Rite Aid Corp. debs. 6 7/8s, 2013	33,700
100,000	Rite Aid Corp. 144A notes 9 1/2s, 2011	106,000
105,000	Rite Aid Corp. 144A sr. notes 9 1/4s, 2013	100,800
40,000	Rite Aid Corp. 144A sr. sec. notes 8 1/8s, 2010	40,800
280,000	Saks, Inc. company guaranty 8 1/4s, 2008	298,200
125,000	Southland Corp. debs. Ser. A, 4 1/2s, 2004	123,750
70,000	United Auto Group, Inc. company guaranty 9 5/8s, 2012	72,100

		1,673,238

Technology (2.9%)

115,000	AMI Semiconductor, Inc. 144A sr. sub. notes 10 3/4s, 2013	127,650
110,000	Amkor Technologies, Inc. sr. notes 9 1/4s, 2006	115,170
10,000	Amkor Technologies, Inc. 144A sr. notes 7 3/4s, 2013	9,900
40,000	Fairchild Semiconductor International, Inc. company guaranty 10 3/8s, 2007	42,150
115,000	Iron Mountain, Inc. company guaranty 8 5/8s, 2013	125,638
200,000	Iron Mountain, Inc. company guaranty 8 1/8s, 2008 (Canada)	206,500
10,000	Lucent Technologies, Inc. debs. 6 1/2s, 2028	6,975
360,000	Lucent Technologies, Inc. debs. 6.45s, 2029	252,000
140,000	Lucent Technologies, Inc. notes 7 1/4s, 2006	133,350
10,000	Lucent Technologies, Inc. notes 5 1/2s, 2008	8,600
175,000	Nortel Networks Corp. notes 6 1/8s, 2006 (Canada)	169,750
95,000	ON Semiconductor Corp. company guaranty 13s, 2008	92,150
135,000	SCG Holding & Semiconductor Corp. company guaranty 12s, 2009	110,025
110,000	Seagate Technology Hdd Holdings company guaranty 8s, 2009 (Cayman Islands)	117,700
64,685	Telex Communications Group, Inc. sr. sub. notes Ser. A, zero %, 2006	35,577
90,000	Titan Corp. (The) 144A sr. sub. notes 8s, 2011	91,800

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35,000	Xerox Cap Europe PLC company guaranty 5 7/8s, 2004 (United Kingdom)	34,869
140,000	Xerox Corp. 144A sr. notes 9 3/4s, 2009	152,950
10,000	Xerox Credit Corp. sr. notes 6.1s, 2003	10,025
		1,842,779
Textiles (0.7%)		
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100,000	Galey & Lord, Inc. company guaranty 9 1/8s, 2008 (In default) (NON)	1,750
185,000	Levi Strauss & Co. 144A sr. notes 12 1/4s, 2012	153,550
95,000	Russell Corp. company guaranty 9 1/4s, 2010	103,550
40,000	Tommy Hilfiger USA, Inc. company guaranty 6 1/2s, 2003	40,000
105,000	William Carter Holdings Co. (The) company guaranty Ser. B, 10 7/8s, 2011	118,650
		417,500
Tire & Rubber (0.1%)		
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100,000	Goodyear Tire & Rubber Co. (The) notes 7.857s, 2011	72,000
Transportation (2.3%)		
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10,000	Air Canada Corp. sr. notes 10 1/4s, 2011 (Canada)	3,900
221,742	Air2 US 144A sinking fund Ser. D, 12.266s, 2020 (In default) (NON)	19,957
85,000	Allied Holdings, Inc. company guaranty Ser. B, 8 5/8s, 2007	65,450
65,000	American Airlines, Inc. pass-through certificates Ser. 01-1, 6.817s, 2011	50,050
45,000	American Airlines, Inc. pass-through certificates Ser. 99-1, 7.024s, 2009	39,825
39,010	American Airlines, Inc. pass-through certificates Ser. 99-1, 6.855s, 2009	34,719
170,000	Calair, LLC/Calair Capital Corp. company guaranty 8 1/8s, 2008	134,300
60,000	Continental Airlines, Inc. pass-through certificates Ser. D, 7.568s, 2006	36,000
70,000	Delta Air Lines, Inc. pass-through certificates Ser. 00-1, 7.779s, 2005	55,189
46,095	Delta Air Lines, Inc. pass-through certificates Ser. 02-1, 7.779s, 2012	35,493
155,000	Evergreen International Aviation, Inc. 144A sec. notes 12s, 2010	152,675
200,000	Kansas City Southern Railway Co. company guaranty 9 1/2s, 2008	219,000
30,000	Kansas City Southern Railway Co. company guaranty 7 1/2s, 2009	30,300
185,000	Navistar International Corp. company guaranty Ser. B, 9 3/8s, 2006	192,400

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25,000	Navistar International Corp. sr. notes Ser. B, 8s, 2008	23,563
10,000	Northwest Airlines, Inc. company guaranty 8.52s, 2004	9,150
120,000	Northwest Airlines, Inc. company guaranty 7 5/8s, 2005	96,600
100,000	Northwest Airlines, Inc. sr. notes 9 7/8s, 2007	76,000
68,954	NWA Trust sr. notes Ser. A, 9 1/4s, 2012	68,264
40,000	Travel Centers of America, Inc. company guaranty 12 3/4s, 2009	44,400
110,000	US Air, Inc. pass-through certificates Ser. 93-A3, 10 3/8s, 2013 (In default) (NON)	44,000

		1,431,235

Utilities & Power (6.5%)

13,000	AES Corp. (The) sr. notes 8 7/8s, 2011	11,830
4,000	AES Corp. (The) sr. notes 8 3/4s, 2008	3,720
30,000	AES Corp. (The) 144A sec. notes 10s, 2005	31,050
130,000	AES Corp. (The) 144A sec. notes 9s, 2015	131,300
125,000	AES Corp. (The) 144A sec. notes 8 3/4s, 2013	125,625
170,000	Allegheny Energy Supply 144A bonds 8 1/4s, 2012	143,650
65,000	Allegheny Energy, Inc. notes 7 3/4s, 2005	63,213
70,000	Avon Energy Partners Holdings 144A notes 7.05s, 2007 (United Kingdom)	60,200
5,000	Avon Energy Partners Holdings 144A notes 6.46s, 2008 (United Kingdom)	4,300
20,000	Calpine Canada Energy Finance company guaranty 8 1/2s, 2008 (Canada)	14,000
90,000	Calpine Corp. sr. notes 10 1/2s, 2006	72,675
10,000	Calpine Corp. sr. notes 8 3/4s, 2007	7,000
220,000	Calpine Corp. sr. notes 8 5/8s, 2010	149,050
280,000	Calpine Corp. sr. notes 8 1/2s, 2011	190,400
60,000	Calpine Corp. sr. notes 7 7/8s, 2008	39,750
65,000	Calpine Corp. sr. notes 7 5/8s, 2006	48,100
50,000	CenterPoint Energy Resources Corp. debs. 6 1/2s, 2008	54,412
25,000	CenterPoint Energy Resources Corp. 144A notes 7 7/8s, 2013	29,250
45,000	CMS Energy Corp. bank term loan FRN Ser. A, 7 1/2s, 2004 (acquired 4/21/03, cost \$44,563) (RES)	45,225
15,000	CMS Energy Corp. bank term loan FRN Ser. B, 7 1/2s, 2004 (acquired 4/21/03, cost \$14,888) (RES)	14,981
25,000	CMS Energy Corp. bank term loan FRN Ser. C, 9s, 2004 (acquired 4/21/03, cost \$24,688) (RES)	25,000
130,000	CMS Energy Corp. sr. notes 8.9s,	

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	2008	129,350
60,000	CMS Energy Corp. sr. notes 8 1/2s, 2011	58,350
40,000	CMS Panhandle Holding Corp. sr. notes 6 1/2s, 2009	41,600
140,000	Dynegy Holdings, Inc. company guaranty 6 3/4s, 2005	127,400
55,000	Dynegy Holdings, Inc. sr. notes 6 7/8s, 2011	44,000
60,000	Edison Mission Energy sr. notes 10s, 2008	53,400
60,000	Edison Mission Energy sr. notes 9 7/8s, 2011	51,900
25,000	El Paso CGP Co. debs. 6 1/2s, 2008	21,031
35,000	El Paso CGP Co. notes 6 3/8s, 2009	28,744
20,000	El Paso Corp. sr. notes 7 3/8s, 2012	16,600
155,000	El Paso Production Holding Co. 144A sr. notes 7 3/4s, 2013	154,613
115,000	Gemstone Investor, Ltd. 144A company guaranty 7.71s, 2004	112,125
70,000	Midland Funding II Corp. debs. Ser. A, 11 3/4s, 2005	75,425
140,000	Mirant Americas Generation, Inc. sr. notes 7.2s, 2008	87,850
45,000	Mirant Corp. 144A sr. notes 7.9s, 2009	24,300
60,000	Mission Energy Holding Co. sec. notes 13 1/2s, 2008	39,600
50,000	Northwest Pipeline Corp. 144A sr. notes 8 1/8s, 2010	54,000
135,000	Northwestern Corp. notes 8 3/4s, 2012	106,650
70,000	Pacific Gas & Electric Co. 144A sr. notes 7 3/8s, 2005 (In default) (NON)	71,575
25,000	PG&E Gas Transmission Northwest sr. notes 7.1s, 2005	24,750
105,000	PSEG Energy Holdings, Inc. 144A notes 7 3/4s, 2007	111,563
85,000	SEMCO Energy, Inc. 144A sr. notes 7 3/4s, 2013	90,100
5,000	Sierra Pacific Power Co. general ref. mtge. Ser. A, 8s, 2008	5,144
30,000	Sierra Pacific Power Co. collateralized Ser. MTNC, 6.82s, 2006	29,213
120,000	Sierra Pacific Resources notes 8 3/4s, 2005	120,150
20,000	Southern California Edison Co. notes 6 3/8s, 2006	20,000
160,000	Southern California Edison Co. 144A 1st mtge. 8s, 2007	173,600
55,000	Teco Energy, Inc. notes 10 1/2s, 2007	62,563
30,000	Teco Energy, Inc. notes 7.2s, 2011	29,775
75,000	Teco Energy, Inc. notes 7s, 2012	73,500
85,000	Tiverton/Rumford Power Associates, LP 144A pass-through certificates 9s, 2018	70,550
105,000	Western Resources, Inc. sr. notes 9 3/4s, 2007	115,500
100,000	Williams Cos., Inc. (The) FRN	

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	Ser. A, 6 3/4s, 2006	97,000
130,000	Williams Cos., Inc. (The) notes 9 1/4s, 2004	132,600
125,000	Williams Cos., Inc. (The) notes 6 1/2s, 2006	118,750
65,000	Williams Holdings Of Delaware notes 6 1/2s, 2008	59,800
306,523	York Power Funding 144A notes 12s, 2007 (Cayman Islands) (In default) (NON)	229,892

		4,127,694

	Total Corporate bonds and notes (cost \$58,430,177)	\$55,631,030

Preferred stocks (3.4%) (a)
Number of shares Value

4,237	Chevy Chase Capital Corp. Ser. A, \$5.188 pfd.	\$237,272
30	Crown Castle International Corp. 12.75% pfd.	30,900
5,279	CSC Holdings, Inc. Ser. M, \$11.125 cum. pfd.	550,336
66,000	Diva Systems Corp. 144A Ser. D, zero % pfd.	660
8,200	Doane Pet Care Co. \$7.125 pfd.	328,000
7	Dobson Communications Corp. 13.00% pfd. (PIK)	6,370
175	Dobson Communications Corp. 12.25% pfd. (PIK)	159,223
80	First Republic Capital Corp. 144A 10.50% pfd.	84,000
20	Granite Broadcasting Corp. 12.75% cum. pfd.	14,600
2,814	Lodgian, Inc. Ser. A, \$7.06 cum. pfd. (PIK)	51,862
30	Metrocall Holdings, Inc. Ser. A, 15.00% cum. pfd.	270
635	Microcell Telecommunications, Inc. \$1.35 (Canada)	5,087
69	Nextel Communications, Inc. Ser. E, 11.125% pfd. (PIK)	71,070
7,394	North Atlantic Trading Co. 12.00% pfd. (PIK)	147,880
1	NTL Europe, Inc. Ser. A, \$5.00 cum. pfd. (PIK)	3
42	Paxson Communications Corp. 13.25% cum. pfd. (PIK)	399,000
100	PRIMEDIA, Inc. Ser. F, \$9.20 cum. pfd.	8,850
381	Rural Cellular Corp. 12.25% pfd. (PIK)	72,390

	Total Preferred stocks (cost \$2,781,290)	\$2,167,773

Common stocks (2.1%) (a)
Number of shares Value

Basic Materials (0.1%)

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14,327 Pioneer Cos., Inc. (NON)	\$55,159
839 Polymer Group, Inc. Class A (NON)	7,249
10 Sterling Chemicals, Inc. (NON)	180

	62,588
 Broadcasting (--%)	

31 Quorum Broadcast Holdings, Inc. Class E (acquired 5/15/01, cost \$30,765) (RES) (NON)	6,074
102 RCN Corp. (NON)	158

	6,232
 Communication Services (0.1%)	

626 Birch Telecom, Inc. (NON)	2,166
3,010 Covad Communications Group, Inc. (NON)	3,206
262 FLAG Telecom Group, Ltd. (Bermuda) (NON)	9,039
3,325 Globix Corp. (NON)	10,141
35 Metrocall Holdings, Inc. (NON)	2,275
5 Microcell Telecommunications, Inc. Class A (Canada) (NON)	40
632 Microcell Telecommunications, Inc. Class B (Canada) (NON)	5,292
7 NTL Europe, Inc. (NON)	1
434 Vast Solutions, Inc. Class B1 (NON)	217
434 Vast Solutions, Inc. Class B2 (NON)	217
434 Vast Solutions, Inc. Class B3 (NON)	217

	32,811
 Consumer Cyclical (0.3%)	

8,269 Fitzgeralds Gaming Corp. (NON)	83
3,334 Lodgian, Inc. (NON)	11,369
20,000 Loewen Group International, Inc. (NON)	2
160,000 Morrison Knudsen Corp. (NON)	12,000
61,158 Sirius Satellite Radio, Inc. (NON)	97,853
40,417 VS Holdings, Inc. (NON)	30,313
346 Washington Group International, Inc. (NON)	7,463

	159,083
 Consumer Staples (1.6%)	

244 Premium Holdings (LP) 144A (NON)	5,134
576 PSF Group Holdings, Inc. 144A Class A (NON)	1,008,653

	1,013,787
 Electric Utilities (--%)	

2,471 Jasper Energy 144A (NON)	154
 Financial (--%)	

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	180,000 AMRESKO Creditor Trust (NON) (R)	16,020
	505,286 Contifinancial Corp. Liquidating Trust Units	5,052
	1 Imperial Credit Industries, Inc. (NON)	1
		21,073
Food (--%)		
	324 Archibald Candy Corp. (NON)	923
	4,427 Aurora Foods, Inc. (NON)	2,435
		3,358
Health Care (--%)		
	384 Alderwoods Group, Inc. (NON)	2,250
	453 Mariner Health Care, Inc. (NON)	3,398
	313 Mediq, Inc. (NON)	31
	178 Sun Healthcare Group, Inc. (NON)	178
		5,857
Natural Gas (--%)		
	506 York Research Corp. 144A (NON)	30
Technology (--%)		
	84 Comdisco Holding Co., Inc. (NON)	8,673
	Total Common stocks (cost \$4,711,670)	\$1,313,646
Asset-backed securities (1.5%) (a)		
	Principal amount	Value
	\$855,000 HYDI Credit Linked Note (issued by JPMorgan) 8s, 2008	\$869,963
	60,000 Verdi Synthetic CLO (collateralized loan obligation) 144A Ser. 1A, Class E2, 11.15s, 2010	60,000
	Total Asset-backed securities (cost \$940,493)	\$929,963
Convertible bonds and notes (1.1%) (a)		
	Principal amount	Value
	\$95,000 American Tower Corp. cv. notes 5s, 2010	\$79,919
	35,000 Amkor Technology, Inc. cv. notes 5 3/4s, 2006	31,106
	40,000 CenterPoint Energy, Inc. 144A cv. sr. notes 3 3/4s, 2023	45,200
	490,000 Cybernet Internet Services International, Inc. 144A cv. sr. disc. notes stepped-coupon zero % (13s, 8/15/04) 2009 (Denmark) (In default) (NON) (STP)	490
	90,000 DaVita, Inc. cv. sub. notes 7s, 2009	94,163
EUR	65,000 Koninklijke Ahold NV cv. sub. notes 3s, 2003 (Netherlands)	32,866

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\$45,000	Kulicke & Soffa Industries, Inc. cv. sub. notes 4 3/4s, 2006	35,550
3,000	Millicom International Cellular SA 144A cv. bonds zero %, 2006 (Luxembourg) (PIK)	5,550
380,000	Nextel Communications, Inc. cv. sr. notes 6s, 2011	397,100

	Total Convertible bonds and notes (cost \$1,084,895)	\$721,944
Foreign government bonds and notes (1.0%) (a)		
Principal amount		Value

\$100,000	Bulgaria (Republic of) 144A bonds 8 1/4s, 2015	\$118,750
20,000	Colombia (Republic of) bonds 11 3/4s, 2020	25,030
15,000	Colombia (Republic of) bonds 10 3/8s, 2033	17,138
20,000	Colombia (Republic of) bonds Ser. NOV, 9 3/4s, 2009	22,500
30,000	Colombia (Republic of) notes 10 3/4s, 2013	34,800
5,000	Colombia (Republic of) unsub. 9 3/4s, 2009	5,608
115,000	Ecuador (Republic of) bonds stepped-coupon Ser. REGS, 5s (6s, 8/15/03), 2030 (STP)	73,600
30,000	Philippines (Republic of) bonds 9s, 2013	32,175
180,000	Russia (Federation of) unsub. stepped-coupon 5s (7 1/2s, 3/31/07), 2030 (STP)	176,220
120,000	United Mexican States bonds Ser. MTN, 8.3s, 2031	141,900

	Total Foreign government bonds and notes (cost \$517,024)	\$647,721
Units (0.4%) (a)		
Number of units		Value

550,000	Australis Media, Ltd. units 15 3/4s, 2003 (Australia) (In default) (NON) (DEF)	\$55
205,000	HMP Equity Holdings Corp. units zero %, 2008	98,400
450,000	XCL, Ltd. 144A units 13 1/2s, 2004 (In default) (NON)	135,000
2,950	XCL, Ltd. 144A units cum. cv. pfd. zero % (In default) (NON) (PIK)	1,475

	Total Units (cost \$1,360,804)	\$234,930
Brady bonds (0.2%) (a)		
Principal amount		Value

\$52,800	Peru (Republic of) bonds Ser. PDI, 5s, 2017	\$45,609
30,000	Peru (Republic of) coll. FLIRB 4 1/2s, 2017 (acquired various dates)	

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from 5/14/02 to 8/23/02, cost	
\$19,969) (RES)	24,450
60,000 Peru (Republic of) coll. FLIRB Ser.	
20YR, 4 1/2s, 2017	48,900

Total Brady bonds (cost \$105,411)	\$118,959

Convertible preferred stocks (0.1%) (a)

Number of shares	Value
332 Knology, Inc. 144A Ser. D, zero % cv. pfd.	\$299
1,400 LTV Corp. 144A \$4.125 cv. pfd. (In default) (NON)	14
3,069 Telex Communications, Inc. zero % cv. pfd. (In default) (NON)	3,069
180 Weirton Steel Corp. Ser. C, zero % cv. pfd.	45
1,160 Williams Cos., Inc. (The) 144A \$2.75 cv. pfd.	63,220
580 XCL, Ltd. 144A Ser. A, 9.50% cum. cv. pfd. (In default) (NON) (PIK)	290

Total Convertible preferred stocks (cost \$190,534)	\$66,937

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

Number of warrants	Expiration date	Value
170 American Tower Corp. Class A	8/1/08	\$18,700
150 Birch Telecommunications, Inc. 144A	6/15/08	1
250 Comunicacion Celular SA 144A (Colombia)	11/15/03	250
200 Dayton Superior Corp. 144A	6/15/09	50
1,250 Diva Systems Corp. 144A	3/1/08	13
1 Doe Run Resources Corp. 144A	12/31/12	1
200 Horizon PCS, Inc.	10/1/10	1
180 Insilco Holding Co.	8/15/08	1
200 iPCS, Inc. 144A	7/15/10	50
76 IWO Holdings, Inc.	1/15/11	19
106 Leap Wireless International, Inc. 144A	4/15/10	1
50 MDP Acquisitions PLC 144A (Ireland)	10/1/13	125
391 Microcell Telecommunications (Canada)	5/1/08	399
235 Microcell Telecommunications (Canada)	5/1/05	86
70 Mikohn Gaming Corp. 144A	8/15/08	1
8 NTL, Inc.	1/13/11	9
80 Pliant Corp. 144A	6/1/10	40
84 Solutia, Inc. 144A	7/15/09	97
447 Sun Healthcare Group, Inc.	2/28/05	1
120 Travel Centers of America, Inc. 144A	5/1/09	1,200
350 Ubiquitel, Inc. 144A	4/15/10	1
260 Verado Holdings, Inc. 144A	4/15/08	3
10 Versatel Telecom NV (Netherlands)	5/15/08	1
214 Washington Group International, Inc. Ser. A	1/25/06	428
244 Washington Group International, Inc. Ser. B	1/25/06	464
131 Washington Group International, Inc. Ser. C	1/25/06	223

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190 XM Satellite Radio Holdings, Inc. 144A	3/15/10	1
Total Warrants (cost \$125,774)		\$22,166

Short-term investments (2.1%) (a)	Value
Principal amount	
\$88,028 Short-term investments held as collateral for loaned securities with yields ranging from 1.20% to 1.37% and due dates ranging from June 2, 2003 to July 25, 2003 (d)	\$87,997
1,236,173 Short-term investments held in Putnam commingled cash account with yields ranging from 1.21% to 2.63% and due dates ranging from June 2, 2003 to July 28, 2003 (d)	1,236,173
Total Short-term investments (cost \$1,324,170)	\$1,324,170
Total Investments (cost \$71,572,242)	\$63,179,239

(a) Percentages indicated are based on net assets of \$63,417,723.

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

(NON) Non-income-producing security.

(STP) The interest rate and date shown parenthetically represent the new interest or dividend rate to be paid and the date the fund will begin accruing interest or dividend income at this rate.

(RES) Restricted, excluding 144A securities, as to public resale. The total market value of restricted securities held at May 31, 2003 was \$636,080 or 1.0% of net assets.

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

(R) Real Estate Investment Trust.

(d) See Note 1 to the financial statements.

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

FLIRB represents Front Loaded Interest Reduction Bond.

The rates shown on Floating Rate Notes (FRN) are the current interest rates shown at May 31, 2003, which are subject to change based on the terms of the security.

Forward Currency Contracts to Buy at May 31, 2003
(aggregate face value \$20,797)

	Market	Aggregate	Delivery	Unrealized
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	Value	Face Value	Date	Appreciation
Euro	\$20,806	\$20,797	6/18/03	\$9

Forward Currency Contracts to Sell at May 31, 2003
(aggregate face value \$396,471)

	Market Value	Aggregate Face Value	Delivery Date	Unrealized Depreciation
British Pound	\$29,949	\$29,262	6/18/03	\$(687)
Euro	398,605	367,209	6/18/03	(31,396)
				\$(32,083)

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

Statement of assets and liabilities
May 31, 2003

Assets

Investments in securities, at value, including \$83,317 of securities on loan (identified cost \$71,572,242) (Note 1)	\$63,179,239
Cash	43,239
Dividends, interest and other receivables	1,345,404
Receivable for securities sold	340,244
Receivable for open forward currency contracts (Note 1)	9
Receivable for closed forward currency contracts (Note 1)	1,023
Total assets	64,909,158

Liabilities

Distributions payable to shareholders	450,373
Payable for securities purchased	740,065
Payable for compensation of Manager (Note 2)	116,717
Payable for investor servicing and custodian fees (Note 2)	25,191
Payable for compensation of Trustees (Note 2)	22,491
Payable for administrative services (Note 2)	527
Payable for open forward currency contracts (Note 1)	32,083
Payable for closed forward currency contracts (Note 1)	3,631
Collateral on securities loaned, at value (Note 1)	87,997

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Other accrued expenses	12,360

Total liabilities	1,491,435

Net assets	\$63,417,723

Represented by	

Paid-in capital (Note 1)	\$105,237,159

Distributions in excess of net investment income (Note 1)	(1,292,445)

Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(32,112,055)

Net unrealized depreciation of investments and assets and liabilities in foreign currencies	(8,414,936)

Total -- Representing net assets applicable to capital shares outstanding	\$63,417,723

Computation of net asset value	

Net asset value per share (\$63,417,723 divided by 7,507,107 shares)	\$8.45

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

Statement of operations
Year ended May 31, 2003

Investment income:

Interest	\$5,912,074

Dividends	259,521

Securities lending	42

Total investment income	6,171,637

Expenses:

Compensation of Manager (Note 2)	445,846

Investor servicing and custodian fees (Note 2)	163,374

Compensation of Trustees (Note 2)	10,557

Administrative services (Note 2)	5,951

Auditing	36,323

Other	63,253

Total expenses	725,304

Expense reduction (Note 2)	(2,012)

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Net expenses	723,292
Net investment income	5,448,345
Net realized loss on investments (Notes 1 and 3)	(6,398,864)
Net realized loss on foreign currency transactions (Note 1)	(7,914)
Net realized loss on credit default contracts (Note 1)	(76,808)
Net unrealized depreciation of assets and liabilities in foreign currencies during the year	(21,933)
Net unrealized appreciation of investments during the year	6,473,911
Net loss on investments	(31,608)
Net increase in net assets resulting from operations	\$5,416,737

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

Statement of changes in net assets

	Year ended May 31	
	2003	2002
Decrease in net assets		
Operations:		
Net investment income	\$5,448,345	\$6,438,418
Net realized loss on investments and foreign currency transactions	(6,483,586)	(9,794,916)
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	6,451,978	3,409,816
Net increase in net assets resulting from operations	5,416,737	53,318
Distributions to shareholders: (Note 1)		
From net investment income	(5,721,276)	(6,527,642)
From return of capital	(103,566)	(911,084)
Total decrease in net assets	(408,105)	(7,385,408)
Net assets		
Beginning of year	63,825,828	71,211,236
End of year (including distributions in excess of net investment income of \$1,292,445 and \$1,179,808, respectively)	\$63,417,723	\$63,825,828

Number of fund shares

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Shares outstanding at beginning and end of year	7,507,107	7,507,107
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The accompanying notes are an integral part of these financial statements.

Financial highlights

(For a common share outstanding throughout the period)

Per-share operating performance	2003	Year ended May 31 2002	2001
Net asset value, beginning of period	\$8.50	\$9.49	\$10.91
Investment operations:			
Net investment income (a)	.73	.86	1.16
Net realized and unrealized gain (loss) on investments	(.01)	(.86)	(1.41)
Total from investment operations	.72	-- (d)	(.25)
Less distributions:			
From net investment income	(.76)	(.87)	(1.17)
From net realized gain on investments	--	--	--
From return of capital	(.01)	(.12)	--
Total distributions	(.77)	(.99)	(1.17)
Net asset value, end of period	\$8.45	\$8.50	\$9.49
Market price, end of period	\$9.02	\$9.48	\$10.80
Total return at market price (%) (b)	4.15	(2.91)	18.34

Ratios and supplemental data

Net assets, end of period (in thousands)	\$63,418	\$63,826	\$71,211
Ratio of expenses to average net assets (%) (c)	1.22	1.19	1.14
Ratio of net investment income to average net assets (%)	9.17	9.69	11.41
Portfolio turnover (%)	73.72	73.39	97.63

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

Per-share operating performance	Year ended May 31	
	2000	1999
Net asset value, beginning of period	\$12.30	\$14.83
Investment operations:		
Net investment income (a)	1.16	1.24
Net realized and unrealized gain (loss) on investments	(1.27)	(2.23)
Total from investment operations	(.11)	(.99)
Less distributions:		
From net investment income	(1.21)	(1.38)
From net realized gain on investments	--	(.16)
From return of capital	(.07)	--
Total distributions	(1.28)	(1.54)
Net asset value, end of period	\$10.91	\$12.30
Market price, end of period	\$10.19	\$13.50
Total return at market price (%) (b)	(15.61)	(2.30)
Ratios and supplemental data		
Net assets, end of period (in thousands)	\$81,898	\$92,368
Ratio of expenses to average net assets (%) (c)	1.08	1.11
Ratio of net investment income to average net assets (%)	9.92	9.50
Portfolio turnover (%)	97.22	47.56

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

(b) Total return assumes dividend reinvestment.

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

(d) Amount represents less than \$0.01 per share.

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

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Notes to financial statements
May 31, 2003

Note 1 Significant accounting policies

Putnam Managed High Yield Trust (the "fund") is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end management investment company. The fund's investment objective is to seek high current income. The fund intends to achieve its objective by investing in high yielding income securities.

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

A) Security valuation Market quotations are not considered to be readily available for certain debt obligations; such investments are valued at market value on the basis of valuations furnished by an independent pricing service or dealers, approved by the Trustees. Such services or dealers determine valuations for normal institutional-size trading units of such securities using methods based on market transactions for comparable securities and various relationships, generally recognized by institutional traders, between securities. Investments for which market quotations are readily available are valued at the last reported sales price on its principal exchange, or official closing price for certain markets. If no sales are reported -- as in the case of some securities traded over-the-counter -- a security is valued at its last reported bid price. For foreign investments, if trading or events occurring in other markets after the close of the principal exchange in which the securities are traded are expected to materially affect the value of the investments, then those investments are valued, taking into consideration these events, at their fair value following procedures approved by the Trustees. Securities quoted in foreign currencies are translated into U.S. dollars at the current exchange rate. Short-term investments having remaining maturities of 60 days or less are valued at amortized cost, which approximates fair value. Other investments, including restricted securities, are valued at fair value following procedures approved by the Trustees. Such valuations and procedures are reviewed periodically by the Trustees.

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

C) Security transactions and related investment income Security transactions are recorded on the trade date (date the order to buy or sell

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is executed). Gains or losses on securities sold are determined on the identified cost basis.

Interest income is recorded on the accrual basis. Dividend income is recognized on the ex-dividend date. Non-cash dividends, if any, are recorded at the fair market value of the securities received. All premiums/discounts are amortized/accreted on a yield-to-maturity basis.

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

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

F) Credit default contracts The fund may enter into credit default contracts where one party, the protection buyer, makes an upfront payment to a counterparty, the protection seller, in exchange for the right to receive a contingent payment as a result of a credit event related to a specified security or index. The upfront payment received by the fund, as the protection seller, is recorded as a liability on the fund's books. The credit default contracts are marked to market daily based upon quotations

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from market makers and the change, if any, is recorded as unrealized gain or loss. Payments received or made as a result of a credit event or termination of the contract are recognized, net of a proportional amount of the upfront payment, as realized gains or losses. In addition to bearing the risk that the credit event will occur, the fund could be exposed to market risk due to unfavorable changes in interest rates or in the price of the underlying security or index, the possibility that the fund may be unable to close out its position at the same time or at the same price as if it had purchased comparable publicly traded securities or that the counterparty may default on its obligation to perform. Credit default contracts outstanding at period end are listed after The fund's portfolio.

G) Security lending The fund may lend securities, through its agents, to qualified borrowers in order to earn additional income. The loans are collateralized by cash and/or securities in an amount at least equal to the market value of the securities loaned. The market value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. The risk of borrower default will be borne by the fund's agents; the fund will bear the risk of loss with respect to the investment of the cash collateral. Income from securities lending is included in investment income on the Statement of operations. At May 31, 2003, the value of securities loaned amounted to \$83,317. The fund received cash collateral of \$87,997, which is pooled with collateral of other Putnam funds into 41 issuers of high-grade short-term investments.

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

At May 31, 2003, the fund had a capital loss carryover of approximately \$30,180,000 available to the extent allowed by tax law to offset future capital gains, if any. The amount of the carryover and the expiration dates are:

Loss Carryover	Expiration
\$2,584,000	May 31, 2007
4,168,000	May 31, 2008
3,778,000	May 31, 2009
8,385,000	May 31, 2010
11,265,000	May 31, 2011

Pursuant to federal income tax regulations applicable to regulated investment companies, the fund has elected to defer to its fiscal year ending May 31, 2004 \$1,867,482 of losses recognized during the period November 1, 2002 to May 31, 2003.

I) Distributions to shareholders Distributions to shareholders from net investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. These differences include temporary and permanent differences of losses on wash sale transactions, foreign currency gains and losses, post-October loss deferrals, dividends payable, defaulted bond interest,

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market discount and interest on payment-in-kind securities. Reclassifications are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. For the year ended May 31, 2003, the fund reclassified \$160,294 to decrease distributions in excess of net investment income and \$45,465 to increase paid-in-capital, with an increase to accumulated net realized loss of \$205,759.

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

Unrealized appreciation	\$3,651,168
Unrealized depreciation	(12,450,669)

Net unrealized depreciation	(8,799,501)
Undistributed ordinary income	--
Capital loss carryforward	(30,180,445)
Post October loss	(1,867,482)
Cost for federal income tax purposes	\$71,978,740

Note 2

Management fee, administrative services and other transactions

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

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

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

The fund has entered into an arrangement with PFTC whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the fund's expenses. For the year ended May 31, 2003, the fund's expenses were reduced by \$2,012 under these arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$534 has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees receive additional fees for attendance at certain committee meetings.

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

The fund has adopted an unfunded noncontributory defined benefit pension plan (the "Pension Plan") covering all Trustees of the fund who have served as a Trustee for at least five years. Benefits under the Pension Plan are equal to 50% of the Trustee's average total retainer and meeting fees for the three years preceding retirement. Pension expense for the fund is included in Compensation of Trustees in the Statement of operations.

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

Note 3

Purchases and sales of securities

During the year ended May 31, 2003, cost of purchases and proceeds from sales of investment securities other than short-term investments aggregated \$42,549,000 and \$41,597,805, respectively. There were no purchases and sales of U.S. government obligations.

Federal tax information

(Unaudited)

For the year-ended May 31, 2003, a portion of the fund's distribution represents a return of capital and is therefore not taxable to shareholders.

The fund has designated 4.18% of the distributions from net investment income as qualifying for the dividends received deduction for corporations.

For its tax year ended May 31, 2003, the fund hereby designates 1.33%, or the maximum amount allowable, of its net taxable income as qualified dividends taxed at individual net capital gain rates.

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

About the Trustees

Jameson A. Baxter (9/6/43), Trustee since 1994
President, Baxter Associates, Inc. (a consulting and private investments firm)

Director of ASHTA Chemicals, Inc., Banta Corporation (a printing and digital imaging firm), Ryerson Tull, Inc. (a steel service corporation), Advocate Health Care, and the National Center for Nonprofit Boards. Chairman Emeritus of the Board of Trustees, Mount Holyoke College. Until 2002, Mrs. Baxter was a director of Intermatic Corporation, a manufacturer of energy control products. Also held various positions in investment banking and corporate finance, including Vice President and principal of the Regency Group and Vice President and consultant to First Boston Corp.

Charles B. Curtis (4/27/40), Trustee since 2001
President and Chief Operating Officer, Nuclear Threat Initiative (a private foundation dealing with national security issues), also serves as Senior Advisor to the United Nations Foundation

Member of the Council on Foreign Relations and the Trustee Advisory Council of the Applied Physics Laboratory at 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's Policy Board and Director of EG&G Technical Services, Inc. (fossil energy research and development support). Prior to May 1997, Mr. Curtis was Deputy Secretary of Energy. He served as Chairman of the Federal Energy Regulatory Commission from 1977 to 1987 and has held positions on the staff of the U.S. House of Representatives, the U.S. Treasury Department, and the Securities and

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Exchange Commission. Mr. Curtis is also a lawyer with over 15 years of experience.

John A. Hill (1/31/42), Trustee since 1985 and Chairman since 2000 Vice-Chairman and Managing Director, First Reserve Corporation (a registered investment advisor investing in companies in the world-wide energy industry on behalf of institutional investors)

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

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

Former Chairman, President, and Chief Executive Officer of Fisher-Price, Inc. (a toy manufacturer). Previously served as President and Chief Executive Officer of Stride-Rite, Inc. and Kenner Parker Toys. Also held financial and marketing positions with General Mills, Parker Brothers, and Talbots. President of the Kathleen and Ronald J. Jackson Foundation (charitable trust). Member of the Board of Overseers of WGBH (public television and radio). Member of the Board of Overseers of the Peabody Essex Museum.

Paul L. Joskow (6/30/47), Trustee since 1997
Elizabeth and James Killian Professor of Economics and Management and Director of the Center for Energy and Environmental Policy Research, Massachusetts Institute of Technology

Director, National Grid Transco (formerly National Grid Group, a UK-based holding company with interests in electric and gas transmission and distribution and telecommunications infrastructure), and the Whitehead Institute for Biomedical Research (a non-profit research institution). President of the Yale University Council. Prior to February 2002, March 2000, and September 1998, Dr. Joskow was a Director of State Farm Indemnity Company (an automobile insurance company), Director of New England Electric System (a public utility holding company) and a consultant to National Economic Research Associates, respectively.

Elizabeth T. Kennan (2/25/38), Trustee since 1992
Chairman, Cambus-Kenneth Bloodstock (a limited liability company involved in thoroughbred horse breeding and farming), President Emeritus of Mount Holyoke College

Director, Northeast Utilities, and Talbots (a distributor of women's apparel). Trustee of Centre College. Prior to 2001, Dr. Kennan was a member of the Oversight Committee of Folger Shakespeare Library. Prior to September 2000, June 2000, and November 1999, Dr. Kennan was a Director of Chastain Real Estate, Bell Atlantic, and Kentucky Home Life Insurance, respectively. Prior to 1995, Dr. Kennan was a Trustee of Notre Dame University. For 12 years, she was on the faculty of Catholic University.

John H. Mullin, III (6/15/41), Trustee since 1997
Chairman and CEO of Ridgeway Farm (a limited liability company engaged in timber and farming)

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Director Alex. Brown Realty, Inc., Sonoco Products, Inc. (a packaging company), The Liberty Corporation (a company engaged in the broadcasting industry), and Progress Energy, Inc. (a utility company, formerly known as Carolina Power & Light). Trustee Emeritus of Washington & Lee University. Prior to October 1997, January 1998, and May 2001, Mr. Mullin was a Director of Dillon, Read & Co. Inc., The Ryland Group, Inc., and Graphic Packaging International Corp., respectively.

Robert E. Patterson (3/15/45), Trustee since 1984
Senior Partner of Cabot Properties, L.P. and Chairman of Cabot Properties, Inc.

Chairman of the Joslin Diabetes Center, Trustee of SEA Education Association, and Director of Brandywine Trust Company (a trust company). Prior to February 1998, Mr. Patterson was Executive Vice President and Director of Acquisitions of Cabot Partners Limited Partnership. Prior to December 2001, Mr. Patterson was President and Trustee of Cabot Industrial Trust (publicly traded real estate investment trust). Prior to 1990, Mr. Patterson was Executive Vice President of Cabot, Cabot & Forbes Realty Advisors, the predecessor of Cabot Partners, and prior to that was Senior Vice President of the Beal Companies.

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

Director of Xcel Energy Incorporated (public utility company), TransCanada Pipelines, Norske Canada, Inc. (paper manufacturer), and Qwest Communications (communications company). Until 2003, Mr. Stephens was a Director of Mail-Well, a printing and envelope company. Prior to July 2001 and October 1999, Mr. Stephens was Chairman of Mail-Well and MacMillan-Bloedel (forest products company). Prior to 1996, Mr. Stephens was Chairman and Chief Executive Officer of Johns Manville.

W. Nicholas Thorndike (3/28/33), Trustee since 1992
Director of various corporations and charitable organizations, including Courier Corporation (a book manufacturer and publisher) and Providence Journal Co. (a newspaper publisher)

Trustee of Northeastern University and Honorary Trustee of Massachusetts General Hospital. Prior to September 2000, April 2000, and December 2001, Mr. Thorndike was a Director of Bradley Real Estate, Inc., a Trustee of Eastern Utilities Associates, and a Trustee of Cabot Industrial Trust, respectively. Previously served as Chairman of the Board and managing partner of Wellington Management/Thorndike Doran Paine & Lewis, and Chairman and Director of Ivest Fund.

Lawrence J. Lasser* (11/1/42), Trustee since 1992 and Vice President since 1981
President and Chief Executive Officer of Putnam Investments and Putnam Management

Director of Marsh & McLennan Companies, Inc. and the United Way of Massachusetts Bay. Member of the Board of Governors of the Investment Company Institute, Trustee of the Museum of Fine Arts, Boston, a Trustee and Member of the Finance and Executive Committees of Beth Israel Deaconess Medical Center, Boston, and a Member of the CareGroup Board of Managers Investment Committee, the Council on Foreign Relations, and the Commercial Club of Boston.

George Putnam, III* (8/10/51), Trustee since 1984 and President since 2000
President, New Generation Research, Inc. (a publisher of financial advisory

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and other research services relating to bankrupt and distressed companies) and New Generation Advisers, Inc. (a registered investment adviser)

Director of The Boston Family Office, L.L.C. (registered investment advisor), Trustee of St. Mark's School, and Trustee of Shore Country Day School. Until 2002, Mr. Putnam was a Trustee of the SEA Education Association. Previously, Mr. Putnam was an attorney with the firm of Dechert Price & Rhoads.

A.J.C. Smith* (4/13/34), Trustee since 1986
Director of Marsh & McLennan Companies, Inc.

Director of Trident Corp. (a limited partnership with over 30 institutional investors). Trustee of the Carnegie Hall Society, the Educational Broadcasting Corporation and the National Museums of Scotland. Chairman of the Central Park Conservancy. Member of the Board of Overseers of the Joan and Sanford I. Weill Graduate School of Medical Sciences of Cornell University. Fellow of the Faculty of Actuaries in Edinburgh, the Canadian Institute of Actuaries, and the Conference of Actuaries. Associate of the Society of Actuaries. Member of the American Actuaries, the International Actuarial Association and the International Association of Consulting Actuaries. Prior to May 2000 and November 1999, Mr. Smith was Chairman and CEO, respectively, of Marsh & McLennan Companies, Inc.

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

As of May 31, 2003, there were 104 Putnam Funds.

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

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

Officers

In addition to George Putnam, III and Lawrence J. Lasser, the other officers of the fund are shown below:

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

Managing Director, Putnam Investments
and Putnam Management

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

Senior Vice President, Putnam Investments and Putnam
Management

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

Senior Managing Director, Putnam Investments

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

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

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

Managing Director, Putnam Investments

Brett C. Browchuk (2/27/63)
Vice President
Since 1994

Managing Director, Putnam Investments and Putnam Management

Charles E. Haldeman Jr. (10/29/48)
Vice President
Since 2002

Senior Managing Director, Putnam Investments and Putnam
Management. Prior to October 2002, Chief Executive Officer,
Lincoln National Investment Companies; prior to January
2000, President and Chief Operating Officer, United Asset
Management.

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

Senior Vice President, Putnam Investments

Richard A. Monaghan (8/25/54)
Vice President
Since 1998

Senior Managing Director, Putnam Investments and Putnam
Retail Management. Prior to November 1998, Managing
Director, Merrill Lynch

Stephen M. Oristaglio (8/21/55)
Vice President
Since 1998

Senior Managing Director, Putnam Investments and Putnam
Management. Prior to July 1998, Managing Director, Swiss
Bank Corp.

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

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

Mark C. Trenchard
(6/5/62) Vice President
Since 2002

Senior Vice President, Putnam Investments

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

Clerk and Assistant Treasurer, The Putnam Funds

Jerome J. Jacobs (8/20/58)
Vice President
Since 1996

Managing Director of Putnam Management

Kevin Cronin (6/13/61)
Vice President
Since 2001

Managing Director of Putnam Management

Stephen Peacher (6/15/64)
Vice President
Since 2000

Managing Director of Putnam Management

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

Fund information

About Putnam Investments

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

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

Marketing Services
Putnam Retail Management
One Post Office Square
Boston, MA 02109

Custodian

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Putnam Fiduciary Trust Company

Legal Counsel
Ropes & Gray LLP

Independent Accountants
KPMG LLP

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

Officers

George Putnam, III
President

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

Patricia C. Flaherty
Senior Vice President

Karnig H. Durgarian
Vice President and Principal Executive Officer

Steven D. Krichmar
Vice President and Principal Financial Officer

Michael T. Healy
Assistant Treasurer and Principal Accounting Officer

Brett C. Browchuk
Vice President

Kevin Cronin
Vice President

Charles E. Haldeman, Jr.
Vice President

Lawrence J. Lasser
Vice President

Beth S. Mazor
Vice President

Richard A. Monaghan
Vice President

Stephen M. Oristaglio

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Vice President

Gordon H. Silver
Vice President

Mark C. Trenchard
Vice President

Stephen C. Peacher
Vice President

Judith Cohen
Clerk and Assistant Treasurer

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

[LOGO OMITTED]

PUTNAM INVESTMENTS

The Putnam Funds
One Post Office Square
Boston, Massachusetts 02109

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88666 590 7/03

Item 2. Code of Ethics:

Not applicable

Item 3. Audit Committee Financial Expert:

Not applicable

Item 4. Principal Accountant Fees and Services:

Not applicable

Items 5-6. [Reserved]

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

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Management Investment Companies:

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

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

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

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

I. Board-Approved Proposals -----

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

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

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

- * The Funds will withhold votes for the entire board of directors if
- * The board does not have a majority of independent directors; or
- * The board does not have nominating, audit and compensation committees composed solely of independent directors.

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

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

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

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

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

- * The Funds will vote on a case-by-case basis in contested elections of directors.
- * The Funds will withhold votes for any nominee for director who attends less than 75% of board and committee meetings without valid reasons for the absences (i.e., illness, personal emergency, etc.).

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

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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.

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

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

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

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

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

B. Executive Compensation

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

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

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

* The Funds will vote against stock option plans that permit issuance of

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options with an exercise price below the stock's current market price.

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

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

C. Capitalization

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

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

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

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

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

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

Shareholders may be confronted with a number of different types of

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

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

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

E. Anti-Takeover Measures

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

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

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

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

F. Other Business Matters

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

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

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

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* 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 which they believe to be non-routine and warranting special consideration. Under these circumstances, the Funds will vote on a case-by-case basis.

II. Shareholder Proposals

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

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

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

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

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

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

III. Voting Shares of Foreign Issuers

Many of the Funds invest on a global basis and, as a result, they may be required to vote shares held in foreign issuers - i.e., issuers that are incorporated under the laws of a foreign jurisdiction and that are not listed a U.S. securities exchange or the NASDAQ stock market. Because foreign issuers are incorporated under the laws of countries and

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jurisdictions outside the U.S., protection for shareholders may vary significantly from jurisdiction to jurisdiction. Laws governing foreign issuers may, in some cases, provide substantially less protection for shareholders. As a result, the foregoing guidelines, which are premised on the existence of a sound corporate governance and disclosure framework, may not be appropriate under some circumstances for foreign issuers. The Funds will vote proxies of foreign issuers in accordance with the foregoing guidelines where applicable, except as follows:

- * The Funds will vote for shareholder proposals calling for a majority of the directors to be independent of management.
- * The Funds will vote for shareholder proposals seeking to increase the independence of board nominating, audit and compensation committees.
- * The Funds will vote for shareholder proposals that implement corporate governance standards similar to those established under U.S. federal law and the listing requirements of U.S. stock exchanges, and that do not otherwise violate the laws of the jurisdiction under which the company is incorporated.
- * The Funds will vote on case-by-case basis on proposals relating to (1) the issuance of common stock in excess of 20% of a company's outstanding common stock where shareholders do not have preemptive rights, or (2) the issuance of common stock in excess of 100% of a company's outstanding common stock where shareholders have preemptive rights.

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

As adopted March 14, 2003

Proxy Voting Procedures of the Putnam Funds

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

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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 which, while governed by a guideline, appear to involve unusual or controversial issues. The Funds also utilize research services relating to proxy questions provided by the proxy voting service and by other firms.

The Role of the Proxy Coordinator

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

Voting Procedures for Referral Items

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

For proxy questions that require a case-by-case analysis pursuant to the guidelines or that are not covered by the guidelines but involve investment considerations, the Proxy Coordinator will refer such questions, through a written request, to Putnam Management's investment professionals for a voting recommendation. Such referrals will be made in cooperation with the person or persons designated by Putnam Management's Legal and Compliance Department to assist in processing such referral items. In connection with each such referral item, the Legal and Compliance Department will conduct a conflicts of interest review, as described below under "Conflicts of Interest," and provide a conflicts of interest report (the "Conflicts Report") to the Proxy Coordinator describing the results of such review. After receiving a referral item from the Proxy Coordinator, Putnam Management's investment professionals will provide a written recommendation to the Proxy Coordinator and the person or persons designated by the Legal and Compliance Department to assist in processing referral items. Such recommendation will set forth (1) how the proxies should be voted, (2)

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the basis and rationale for such recommendation, and (3) any contacts the investment professionals have had with respect to the referral item with non-investment personnel of Putnam Management or with outside parties (except for routine communications from proxy solicitors). The Proxy Coordinator will then review the investment professionals' recommendation and the Conflicts Report with the Senior Vice President and/or Executive Vice President in determining how to vote the Funds' proxies. The Proxy Coordinator will maintain a record of all proxy questions that have been referred to Putnam Management's investment professionals, the voting recommendation and the Conflicts Report.

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

Conflicts of Interest

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

As adopted March 14, 2003

Item 8. [Reserved]

Item 9. Controls and Procedures:

The registrant's principal executive officer and principal financial officers have concluded, based on their evaluation of the effectiveness of the design and operation of the registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report on Form N-CSR, that the design and operation of such procedures are effective to provide reasonable assurance that information required to be disclosed by the investment company in the reports that it files or

