

PUTNAM MASTER INTERMEDIATE INCOME TRUST
Form N-CSR
November 26, 2008

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

FORM N-CSR

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

Investment Company Act file number: (811-05498)

Exact name of registrant as specified in charter: Putnam Master Intermediate Income Trust

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

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

Copy to: John W. Gerstmayr, Esq.
Ropes & Gray LLP
One International Place
Boston, Massachusetts 02110

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

Date of fiscal year end: September 30, 2008

Date of reporting period: October 1, 2007 - September 30, 2008

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:

What makes
Putnam different?

A time-honored tradition in money management

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

A prudent approach to investing

We use a research-driven team approach to seek superior investment results over time.

Funds for every investment goal

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

A commitment to doing what's right for investors

With a focus on investment performance and in-depth information about our funds, we put the interests of investors first and seek to set the standard for integrity and service.

Industry-leading service

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

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

THE PRUDENT MAN RULE

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

Putnam Master Intermediate Income Trust

9|30|08
Annual Report

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Message from the Trustees

Dear Fellow Shareholder:

The financial markets have been experiencing the kind of upheaval not seen in decades. Investor confidence has been shaken by losses across a range of sectors and by the collapse of several financial industry companies. Coordinated responses by a full array of economic and financial authorities both in the United States and overseas should restore stability in due course, but investors should not expect a reduction in volatility in the near term. The likelihood of a U.S. recession, in particular, now makes the situation more challenging. History has shown that markets are extremely resilient over the long term, and we expect that, in time, they will recover from this crisis.

As a shareholder of this fund, you should feel confident about the financial standing of Putnam Investments. Our parent companies, Great-West Lifeco and Power Financial Corporation, are among the largest and most successful organizations in the financial services industry. All three companies are well capitalized with strong cash flows.

We are pleased to announce that Robert L. Reynolds, a well-known leader and visionary in the mutual fund industry, has joined the Putnam leadership team as President and Chief Executive Officer of Putnam Investments, effective July 1, 2008. Charles E. Haldeman, Jr., former President and CEO, has taken on the role of Chairman of Putnam Investment Management, LLC, the firm's fund management company. He continues to serve as President of the Funds and as a Trustee.

Mr. Reynolds brings to Putnam Investments substantial industry experience and an outstanding record of success, including serving as Vice Chairman and Chief Operating Officer at Fidelity Investments from 2000 to 2007. We look forward to working with Mr. Reynolds as we continue our efforts to position Putnam Investments to exceed our shareholders' expectations.

We would also like to take this opportunity to welcome new shareholders to the fund and to thank all of our investors for your continued confidence in Putnam during these challenging times.

About the fund

Seeking broad diversification across bond markets

When Putnam Master Intermediate Income Trust was launched in 1988, its three-pronged focus on U.S. investment-grade bonds, high-yield corporate bonds, and non-U.S. bonds was considered innovative. Lower-rated, higher-yielding corporate bonds were relatively new, having just been established in the late 1970s. Additionally, at the time of the fund's launch, few investors were venturing outside the United States for fixed-income opportunities.

The bond investment landscape has undergone a transformation in the nearly two decades since. New sectors like mortgage- and asset-backed securities now make up a sizable portion of the U.S. investment-grade market. The high-yield corporate bond sector has also grown significantly. Outside the United States, the popularity of the euro has resulted in a large market of European government bonds. There are also growing opportunities to invest in the debt of emerging-market countries.

The fund's investment perspective has been broadened to keep pace with the market expansion over time. To respond to the market's increasing complexity, Putnam's 100-member fixed-income group aligns teams of specialists with varied investment opportunities. Each team identifies compelling strategies within its area of expertise. Your fund's management team selects from among these strategies, striving to systematically build a diversified portfolio that carefully balances risk and return.

We believe the fund's multi-strategy approach is well suited to the expanding opportunities of today's global bond marketplace. As different factors drive the performance of the various fixed-income sectors, the fund's diversified strategy seeks to take advantage of changing market leadership in pursuit of high current income and relative stability of net asset value.

International investing involves certain risks, such as currency fluctuations, economic instability, and political developments. Additional risks may be associated with emerging-market securities, including illiquidity and volatility. Lower-rated bonds may offer higher yields in return for more risk. Funds that invest in government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk. Funds that invest in bonds are subject to certain risks, including interest-rate risk, credit risk, and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. The use of derivatives involves special risks and may result in losses. The fund's shares trade on a stock exchange at market prices, which may be lower than the fund's net asset value.

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

More assets at work While open-end funds need to maintain a cash position to meet redemptions, closed-end funds are not subject to redemptions and can keep more of their assets invested in the market.

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

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

Putnam Master Intermediate Income Trust

Putnam Master Intermediate Income Trust balances risk and return across multiple sectors

Portfolio composition as of 9/30/08

Putnam believes that building a diversified portfolio with multiple income-generating strategies is the best way to pursue your fund's objectives. The fund's portfolio is composed of a broad spectrum of government, credit, and securitized debt instruments.

Weightings are shown as a percentage of the fund's net assets. Allocations and holdings in each sector will vary over time. For more information on current fund holdings, see pages 17-47.

Performance and portfolio snapshots

Average annual total return (%) comparison as of 9/30/08

Data is historical. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return and net asset value will fluctuate, and you may have a gain or a loss when you sell your shares. Performance assumes reinvestment of distributions and does not account for taxes. Fund returns in the bar chart are at NAV. See pages 5 and 8 for additional performance information, including fund returns at market price. Index and Lipper results should be compared to fund performance at NAV. Lipper calculates performance differently than the closed-end funds it ranks, due to varying methods for determining a fund's monthly reinvestment NAV.

□ The past 12 months for the financial markets worldwide have been unprecedented. During the period, investors indiscriminately fled even high-quality mortgage and credit instruments for government-backed U.S. Treasury bonds and international government securities. □

D. William Kohli, Portfolio Leader, Putnam Master Intermediate Income Trust

Credit qualities shown as a percentage of portfolio value as of 9/30/08. A bond rated Baa or higher (MIG3/VMIG3 or higher, for short-term debt) is considered investment grade. The chart reflects Moody's ratings; percentages may include bonds not rated by Moody's but considered by Putnam Management to be of comparable quality. Ratings will vary over time.

Credit quality overview

Bill, thank you for taking the time today to talk about Master Intermediate Income Trust's most recent annual period. How did the fund perform?

The past 12 months for the financial markets worldwide have been unprecedented, with price volatility, collapses of large financial institutions, and government intervention in the markets on a scale not seen since the 1930s. During the period, investors indiscriminately fled even high-quality mortgage and credit instruments for government-backed U.S. Treasury bonds and international government securities. The fund significantly underperformed its benchmark, which is more highly concentrated in these government securities, despite our emphasis on securities of investment-grade and higher quality, and our continued cautious stance on duration [a measure of portfolio risk]. The fund also underperformed its peer group, Lipper Flexible Income Funds [closed-end].

Could you briefly cover the events of the past 12 months?

November 2007 as well as January and March of this year stand out as periods when securitized bond prices moved sharply lower based on broad-based housing market troubles and the oncoming credit squeeze. From late 2007 through early 2008, global credit markets grew increasingly illiquid, reaching the first of several subsequent low points thus far with the collapse of Bear Stearns in March. Other factors contributing to market volatility earlier in the period included spiking energy and commodity prices [though these prices have since receded somewhat]. In July came the government's financial rescue of the assets of Fannie Mae and Freddie Mac.

From a Wall Street perspective, September's events were earth-shaking, as financial pressure on major investment and commercial banks mushroomed and market liquidity dried up. Lehman Brothers made known that it was seeking a buyer or a government bailout but failed on both counts and was liquidated. In addition, Merrill Lynch agreed to be acquired by Bank of America, and the giant insurer AIG teetered on the brink of collapse before the government decided that the company was too critical to global financial market operations to be allowed to fail. Almost immediately afterward, Goldman Sachs and Morgan Stanley, the last two remaining U.S. investment banks, themselves under financial stress,

Broad market index and fund performance

This comparison shows your fund's performance in the context of broad market indexes for the 12 months ended 9/30/08. See the previous page and page 8 for additional fund performance information. Index descriptions can be found on page 10.

decided to change to bank holding companies in order to gain access to Federal Reserve lending facilities, thereby subjecting themselves to tighter federal regulation. Thus came the end of the era of the stand-alone investment bank that funds its operations through open-market trading activity.

Meanwhile, short-term credit markets, including the commercial paper market, went from somewhat illiquid to frozen over this period. Banks, fearful of possible toxic assets on one another's books, became reluctant to lend to other institutions. Credit became extremely tight to virtually unobtainable for businesses of all sizes across the country. Just before the end of the period, federal regulators seized the country's largest savings and loan, Washington Mutual. In recent months, the stock market has exhibited volatility not seen since the Depression. And last, the near-collapse of several major banks in Europe and bankruptcy for Iceland were extremely problematic for global capital flows.

Bill, what has been the investment team's approach in managing the fund during the global credit crunch?

Our investment approach has been to focus on credit quality. We also believe this to be the correct approach going forward. Accordingly, we are significantly underweight corporate credit while favoring carefully selected securitized bonds, which we have purchased at what we feel are very attractive terms at several points over the past year, and which we believe should reward fund shareholders over time. We believe that these securities carry minimal fundamental credit risk. In addition, we remain neutral on government bonds. The fund is also underweight emerging-market bonds.

What is your outlook going forward for the economy, the credit markets, and the fund?

From short-term money markets and securitized instruments to corporate bonds and bank loans, all parts of the credit system had ceased to function normally by late September. The longer it takes for normal liquidity to be restored, the greater the negative impact on the real economy. In our judgment, there is now a high probability of a recession, and such a downturn could be severe. This would have major implications for corporate profits and default rates on corporate bonds and bank loans.

Our overall investment themes have not materially changed. We continue to emphasize top-rated securities among commercial mortgage-backed securities, mortgage pass-throughs, agencies, and collateralized mortgage obligations. We also continue to position the portfolio for yield-curve steepening, which helped performance over the past 12 months. This strategy is

Top holdings

This table shows the fund's top holdings and the percentage of the fund's net assets that each represented as of 9/30/08. Holdings will vary over time.

| HOLDING (percent of fund's net assets) | COUPON (%) and MATURITY DATE |
|--|------------------------------|
| Securitized sector | |
| Federal National Mortgage Association pass-through certificates TBA (4.1%) | 6%, 2038 |
| Credit Suisse Mortgage Capital Certificates Ser. 07-C5, Class A3 (2.5%) | 5.694%, 2040 |
| Wachovia Bank Commercial Mortgage Trust Ser. 07-C30, Class A3 (1.2%) | 5.246%, 2043 |
| Government sector | |
| Japan (Government of) CPI Linked bonds Ser. 8 (4.1%) | 1%, 2016 |
| Argentina (Republic of) sr. unsec. unsub. bonds FRB (1.0%) | 3.127%, 2012 |
| Colombia (Republic of) notes (1.0%) | 10%, 2012 |
| Credit sector | |
| VTB Capital SA 144A notes (Luxembourg) (0.7%) | 7.5%, 2011 |
| Charter Communications, Inc. bank term loan FRN (0.4%) | 4.8%, 2014 |
| Echostar DBS Corp. company guaranty (0.4%) | 6.625%, 2014 |

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based on our view that the yield curve will continue to steepen as global central banks continue to cut short-term rates and longer-term rates trend higher on the liquidity squeeze and inflation concerns. We are also taking a neutral position on non-U.S. government bonds, as substantial new bond issuance by countries for financial bailouts should depress security prices and raise rates over the long term.

Thanks again, Bill, for sharing your insights with us.

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

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

IN THE NEWS

In early October, federal lawmakers approved the Emergency Economic Stabilization Act of 2008 (EESA), a \$700 billion economic package designed to ease the nation's worsening credit crisis. Under the law, a Troubled Asset Relief Program (TARP) was originally authorized to purchase failed mortgages and mortgage-related securities at the heart of the credit crisis. However, in mid-November, U.S. Treasury Secretary Henry Paulson redirected TARP's mission to help relieve pressure in the area of consumer credit. TARP will now focus on offering aid to banks and other firms that issue student, auto, and credit card loans.

Comparison of top sector weightings

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

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Your fund's performance

This section shows your fund's performance for periods ended September 30, 2008, the end of its most recent fiscal year. Performance should always be considered in light of a fund's investment strategy. Data represents past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return, net asset value, and market price will fluctuate, and you may have a gain or a loss when you sell your shares.

Fund performance Total return for periods ended 9/30/08

| | NAV | Market price |
|---|--------|--------------|
| Annual average (life of fund since 4/29/88) | 6.74% | 5.90% |
| 10 years | 56.66 | 50.83 |
| Annual average | 4.59 | 4.20 |
| 5 years | 16.93 | 16.89 |
| Annual average | 3.18 | 3.17 |
| 3 years | 0.79 | 4.51 |
| Annual average | 0.26 | 1.48 |
| 1 year | □10.67 | □8.92 |

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

Comparative index returns For periods ended 9/30/08

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| | Lehman Government/ Credit Bond Index | Citigroup Non-U.S. World Government Bond Index | JPMorgan Global High Yield Index | Lipper Flexible Income Funds (closed-end) category average* |
|-------------------------------|---|--|-------------------------------------|--|
| Annual average (life of fund) | 7.22% | 6.66% | □□ | 6.48% |
| 10 years Annual average | 62.93 5.00 | 66.65 5.24 | 64.78% 5.12 | 69.68 5.18 |
| 5 years Annual average | 17.86 3.34 | 31.05 5.56 | 26.91 4.88 | 20.59 3.79 |
| 3 years Annual average | 11.19 3.60 | 17.47 5.51 | 5.09 1.67 | 3.34 1.08 |
| 1 year | 2.41 | 5.16 | □9.89 | □8.03 |

Index and Lipper results should be compared to fund performance at net asset value. Lipper calculates performance differently than the closed-end funds it ranks, due to varying methods for determining a fund's monthly reinvestment NAV.

* Over the 1-year, 3-year, 5-year, 10-year, and life-of-fund periods ended 9/30/08, there were 6, 6, 6, 5, and 2 funds, respectively, in this Lipper category.

□ The inception date of the JPMorgan Global High Yield Index was 12/31/93.

Fund price and distribution information For the 12-month period ended 9/30/08

Distributions

| | |
|---------------|---------|
| Number | 12 |
| Income | \$0.485 |
| Capital gains | □ |
| Total | \$0.485 |

| Share value | NAV | Market price |
|-------------------------------|--------|--------------|
| 9/30/07 | \$7.13 | \$6.41 |
| 9/30/08 | 5.88 | 5.39 |
| Current yield (end of period) | | |
| Current dividend rate* | 9.18% | 10.02% |

The classification of distributions, if any, is an estimate. Final distribution information will appear on your year-end tax forms.

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

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Your fund's management

Your fund is managed by the members of the Putnam Taxable Fixed-Income Team. D. William Kohli is the Portfolio Leader, and Michael Atkin, Rob Bloemker, Kevin Murphy, and Paul Scanlon are Portfolio Members of the fund. The Portfolio Leader and Portfolio Members coordinate the team's management of the fund.

For a complete listing of the members of the Putnam Taxable Fixed-Income Team, including those who are not Portfolio Leaders or Portfolio Members of your fund, please visit the Individual Investors section of www.putnam.com.

Trustee and Putnam employee fund ownership

As of September 30, 2008, 12 of the 13 Trustees of the Putnam funds owned fund shares. The table below shows the approximate value of investments in the fund and all Putnam funds as of that date by the Trustees and Putnam employees. These amounts include investments by the Trustees' and employees' immediate family members and investments through retirement and deferred compensation plans.

| | Assets in the fund | Total assets in all Putnam funds |
|------------------|-----------------------|-------------------------------------|
| Trustees | \$28,000 | \$37,000,000 |
| Putnam employees | \$3,000 | \$471,000,000 |

Other Putnam funds managed by the Portfolio Leader and Portfolio Members

D. William Kohli is also a Portfolio Leader of Putnam Diversified Income Trust, Putnam Global Income Trust, and Putnam Premier Income Trust.

Michael Atkin is also a Portfolio Member of Putnam Diversified Income Trust, Putnam Global Income Trust, and Putnam Premier Income Trust.

Rob Bloemker is also a Portfolio Leader of Putnam U.S. Government Income Trust, Putnam American Government Income Fund, and Putnam Income Fund. He is also a Portfolio Member of Putnam Diversified Income Trust, Putnam Global Income Trust, and Putnam Premier Income Trust.

Kevin Murphy is also a Portfolio Member of Putnam Income Fund, Putnam Diversified Income Trust, Putnam Premier Income Trust, and Putnam Utilities Growth and Income Fund.

Paul Scanlon is also a Portfolio Leader of Putnam High Yield Trust, Putnam High Yield Advantage Fund, and Putnam Floating Rate Income Fund. He is also a Portfolio Member of Putnam Diversified Income Trust and Putnam Premier Income Trust.

D. William Kohli, Michael Atkin, Rob Bloemker, Kevin Murphy, and Paul Scanlon may also manage other accounts and variable trust funds advised by Putnam Management or an affiliate.

Changes in your fund's Portfolio Leader and Portfolio Members

During the reporting period ended September 30, 2008, Michael Atkin joined your fund's management team, following the departure of Portfolio Member Jeffrey Kaufman.

Investment team fund ownership

The following table shows how much the fund's current Portfolio Leader and Portfolio Members have invested in the fund and in all Putnam mutual funds (in dollar ranges). Information shown is as of September 30, 2008, and September 30, 2007.

N/A indicates the individual was not a Portfolio Leader or Portfolio Member as of 9/30/07.

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Terms and definitions

Important terms

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

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

Current yield is the annual rate of return earned from dividends or interest of an investment. Current yield is expressed as a percentage of the price of a security, fund share, or principal investment.

Comparative indexes

Citigroup Non-U.S. World Government Bond Index is an unmanaged index generally considered to be representative of the world bond market.

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

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

Lehman Government/Credit Bond Index is an unmanaged index of U.S. Treasuries, agency securities, and investment-grade corporate bonds.

Merrill Lynch 91-Day Treasury Bill Index is an unmanaged index that seeks to measure the performance of U.S. Treasury bills available in the marketplace.

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

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

Lipper is a third-party industry-ranking entity that ranks mutual funds. Its rankings do not reflect sales charges. Lipper rankings are based on total return at net asset value relative to other funds that have similar current

investment styles or objectives as determined by Lipper. Lipper may change a fund's category assignment at its discretion. Lipper category averages reflect performance trends for funds within a category.

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Trustee approval of management contract

General conclusions

The Board of Trustees of the Putnam funds oversees the management of each fund and, as required by law, determines annually whether to approve the continuance of your fund's management contract with Putnam Investment Management (Putnam Management) and the sub-management contract, in respect of your fund, between Putnam Management's affiliate, Putnam Investments Limited (PIL), and Putnam Management. In this regard, the Board of Trustees, with the assistance of its Contract Committee consisting solely of Trustees who are not interested persons (as such term is defined in the Investment Company Act of 1940, as amended) of the Putnam funds (the Independent Trustees), requests and evaluates all information it deems reasonably necessary under the circumstances. Over the course of several months ending in June 2008, the Contract Committee met several times to consider the information provided by Putnam Management and other information developed with the assistance of the Board's independent counsel and independent staff. The Contract Committee reviewed and discussed key aspects of this information with all of the Independent Trustees. The Contract Committee recommended, and the Independent Trustees approved, the continuance of your fund's management and sub-management contracts, effective July 1, 2008. (Because PIL is an affiliate of Putnam Management and Putnam Management remains fully responsible for all services provided by PIL, the Trustees have not evaluated PIL as a separate entity, and all subsequent references to Putnam Management below should be deemed to include reference to PIL as necessary or appropriate in the context.)

The Independent Trustees' approval was based on the following conclusions:

That the fee schedule in effect for your fund represented reasonable compensation in light of the nature and quality of the services being provided to the fund, the fees paid by competitive funds and the costs incurred by Putnam Management in providing such services, and

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

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

Management fee schedules and categories; total expenses

The Trustees reviewed the management fee schedules in effect for all Putnam funds, including fee levels and breakpoints, and the assignment of funds to particular fee categories. In reviewing fees and expenses, the Trustees generally focused their attention on material changes in circumstances for example, changes in a fund's size or investment style, changes in Putnam Management's operating costs or responsibilities, or changes in competitive practices in the mutual fund industry that suggest that consideration of fee changes might be warranted. The Trustees concluded that the circumstances did not warrant changes to the management fee structure of your fund, which had been carefully developed over the years, re-examined on many occasions and adjusted where appropriate. In this regard, the Trustees also noted that shareholders of your fund voted in 2007

to approve new management contracts containing an identical fee structure. The Trustees focused on two areas of particular interest, as discussed further below:

Competitiveness. The Trustees reviewed comparative fee and expense information for competitive funds, which indicated that, in a custom peer group of competitive funds selected by Lipper Inc., your fund ranked in the 50th percentile in management fees and in the 50th percentile in total expenses as of December 31, 2007 (the first percentile being the least expensive funds and the 100th percentile being the most expensive funds). The Trustees expressed their intention to monitor this information closely to ensure that fees and expenses of your fund continue to meet evolving competitive standards.

Economies of scale. The Trustees considered that most Putnam funds currently have the benefit of breakpoints in their management fees that provide shareholders with significant economies of scale, which means that the effective management fee rate of a fund (as a percentage of fund assets) declines as a fund grows in size and crosses specified asset thresholds. Conversely, as a fund shrinks in size — as has been the case for many Putnam funds in recent years — these breakpoints result in increasing fee levels. In recent years, the Trustees have examined the operation of the existing breakpoint structure during periods of both growth and decline in asset levels. The Trustees concluded that the fee schedules in effect for the funds represented an appropriate sharing of economies of scale at current asset levels.

In connection with their review of the management fees and total expenses of the Putnam funds, the Trustees also reviewed the costs of the services to be provided and profits to be realized by Putnam Management and its affiliates from the relationship with the funds. This information included trends in

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revenues, expenses and profitability of Putnam Management and its affiliates relating to the investment management and distribution services provided to the funds. In this regard, the Trustees also reviewed an analysis of Putnam Management's revenues, expenses and profitability with respect to the funds' management contracts, allocated on a fund-by-fund basis.

Investment performance

The quality of the investment process provided by Putnam Management represented a major factor in the Trustees' evaluation of the quality of services provided by Putnam Management under your fund's management contract. The Trustees were assisted in their review of the Putnam funds' investment process and performance by the work of the Investment Oversight Coordinating Committee of the Trustees and the Investment Oversight Committees of the Trustees, which had met on a regular monthly basis with the funds' portfolio teams throughout the year. The Trustees concluded that Putnam Management generally provides a high-quality investment process — as measured by the experience and skills of the individuals assigned to the management of fund portfolios, the resources made available to such personnel, and in general the ability of Putnam Management to attract and retain high-quality personnel — but also recognized that this does not guarantee favorable investment results for every fund in every time period. The Trustees considered the investment performance of each fund over multiple time periods and considered information comparing each fund's performance with various benchmarks and with the performance of competitive funds.

While the Trustees noted the satisfactory investment performance of certain Putnam funds, they considered the disappointing investment performance of many funds in recent periods, particularly over periods in 2007 and 2008. They discussed with senior management of Putnam Management the factors contributing to such underperformance and actions being taken to improve performance. The Trustees recognized that, in recent years, Putnam Management has taken steps to strengthen its investment personnel and processes to address areas of underperformance, including recent efforts to further centralize Putnam Management's equity research function. In this regard, the Trustees took into consideration efforts by Putnam Management to improve its ability to assess and mitigate investment risk in individual funds, across asset classes, and across the complex as a whole. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these efforts and to evaluate whether additional changes to address areas of underperformance are warranted.

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In the case of your fund, the Trustees considered that your fund's common share cumulative total return performance at net asset value was in the following percentiles of its Lipper Inc. peer group (Lipper Flexible Income Funds (closed-end)) for the one-year, three-year and five-year periods ended December 31, 2007 (the first percentile being the best-performing funds and the 100th percentile being the worst-performing funds):

| | |
|-------------------|------|
| One-year period | 63rd |
| Three-year period | 63rd |
| Five-year period | 58th |

(Because of the passage of time, these performance results may differ from the performance results for more recent periods shown elsewhere in this report.) Over the one-year, three-year, and five-year periods ended December 31, 2007, there were 7, 7, and 6 funds, respectively, in your fund's Lipper peer group.* Past performance is no guarantee of future returns.

As a general matter, the Trustees believe that cooperative efforts between the Trustees and Putnam Management represent the most effective way to address investment performance problems. The Trustees noted that investors in the Putnam funds have, in effect, placed their trust in the Putnam organization, under the oversight of the funds' Trustees, to make appropriate decisions regarding the management of the funds. Based on the responsiveness of Putnam Management in the recent past to Trustee concerns about investment performance, the Trustees concluded that it is preferable to seek change within Putnam Management to address performance shortcomings. In the Trustees' view, the alternative of engaging a new investment adviser for an underperforming fund would entail significant disruptions and would not provide any greater assurance of improved investment performance.

Brokerage and soft-dollar allocations; other benefits

The Trustees considered various potential benefits that Putnam Management may receive in connection with the services it provides under the management contract with your fund. These include benefits related to brokerage and soft-dollar allocations, whereby a portion of the commissions paid by a fund for brokerage may be used to acquire research services that may be useful to Putnam Management in managing the assets of the fund and of other clients. The Trustees considered changes made in 2008, at Putnam Management's request, to the Putnam funds' brokerage allocation policy, which expanded the permitted categories of brokerage and research services payable with soft dollars and increased the permitted soft dollar allocation to third-party services over what had been authorized in previous years. The Trustees indicated their continued intent

* The percentile rankings for your fund's common share annualized total return performance in the Lipper Flexible Income Funds (closed-end) category for the one-year, five-year, and ten-year periods ended September 30, 2008, were 86%, 86%, and 67%, respectively. Over the one-year, five-year, and ten-year periods ended September 30, 2008, your fund ranked 6th out of 6, 6th out of 6, and 4th out of 5 funds, respectively. Note that this more recent information was not available when the Trustees approved the continuance of your fund's management contract.

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to monitor the potential benefits associated with the allocation of fund brokerage and trends in industry practice to ensure that the principle of seeking "best price and execution" remains paramount in the portfolio trading process.

The Trustees' annual review of your fund's management contract arrangements also included the review of your fund's investor servicing agreement with Putnam Fiduciary Trust Company ("PFTC"), which provides benefits to affiliates of Putnam Management. In the case of the investor servicing agreement, the Trustees considered that certain shareholder servicing functions were shifted to a third-party service provider by PFTC in 2007.

Comparison of retail and institutional fee schedules

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

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Other information for shareholders

Important notice regarding share repurchase program

In October 2008, the Trustees of your fund approved the renewal of a share repurchase program that had been in effect since 2005. This renewal will allow your fund to repurchase, in the 12 months beginning October 8, 2008, up to 10% of the fund's common shares outstanding as of October 7, 2008.

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 representatives. 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 representative, 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 8:00 p.m., or Saturdays from 9:00 a.m. to 5:00 p.m. Eastern Time.

Proxy voting

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2008, are available in the Individual Investors section of www.putnam.com, and on the SEC's Web site, www.sec.gov. If you have questions about finding forms on the SEC's Web site, you may call the SEC at 1-800-SEC-0330. You may also obtain the Putnam funds' proxy voting guidelines and procedures at no charge by calling Putnam's Shareholder Services at 1-800-225-1581.

Fund portfolio holdings

The fund will file a complete schedule of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Shareholders may obtain the fund's Forms N-Q on the SEC's Web site at www.sec.gov. In addition, the fund's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. You may call the SEC at 1-800-SEC-0330 for information about the SEC's Web site or the operation of the Public Reference Room.

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Financial statements

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

The fund's 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. (For funds with preferred shares, the amount subtracted from total assets includes the liquidation preference of preferred shares.)

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

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

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

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying statement of assets and liabilities of Putnam Master Intermediate Income Trust, including the fund's portfolio, as of September 30, 2008, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years or periods in the period then ended. These financial statements and

financial highlights are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of September 30, 2008 by correspondence with the custodian and brokers or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Putnam Master Intermediate Income Trust as of September 30, 2008, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years or periods in the period then ended, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts
November 20, 2008

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The fund's portfolio 9/30/08

| COLLATERALIZED MORTGAGE OBLIGATIONS (43.6%)* | Principal amount | Value |
|--|---------------------|-----------|
| <hr/> | | |
| Asset Backed Funding Certificates 144A FRB Ser. 06-OPT3, Class B, 5.707s, 2036 | \$52,000 | \$1,789 |
| <hr/> | | |
| Banc of America Alternative Loan Trust Ser. 06-7, Class A2, 5.707s, 2036 | 3,981,000 | 2,508,030 |
| <hr/> | | |
| Banc of America Commercial Mortgage, Inc. Ser. 01-1, Class G, 7.324s, 2036 | 325,000 | 326,313 |
| FRB Ser. 07-3, Class A3, 5.838s, 2049 | 168,000 | 157,446 |
| Ser. 07-2, Class A2, 5.634s, 2049 | 513,000 | 481,297 |
| Ser. 05-6, Class A2, 5.165s, 2047 | 1,131,000 | 1,102,972 |
| Ser. 07-5, Class XW, Interest Only (IO), 0.607s, 2051 | 113,048,119 | 2,600,814 |

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| | | |
|--|-------------|-----------|
| Banc of America Commercial Mortgage, Inc. 144A | | |
| Ser. 01-1, Class J, 6 1/8s, 2036 | 163,000 | 153,082 |
| Ser. 01-1, Class K, 6 1/8s, 2036 | 367,000 | 278,348 |
| Banc of America Funding Corp. FRB Ser. 06-D, Class 6A1, 5.992s, 2036 | | |
| | 2,898,334 | 1,941,884 |
| Banc of America Large Loan 144A FRB Ser. 05-MIB1, Class K, 4.488s, 2022 | | |
| | 645,000 | 529,094 |
| Bayview Commercial Asset Trust 144A | | |
| Ser. 07-5A, IO, 1.55s, 2037 | 1,417,032 | 174,012 |
| Ser. 07-1, Class S, IO, 1.211s, 2037 | 3,896,358 | 355,348 |
| Bear Stearns Alternate Trust FRB Ser. 06-5, Class 2A2, 6 1/4s, 2036 | | |
| | 2,184,390 | 1,376,166 |
| FRB Ser. 06-6, Class 2A1, 5.899s, 2036 | 1,060,410 | 653,090 |
| Bear Stearns Commercial Mortgage Securities, Inc. | | |
| FRB Ser. 00-WF2, Class F, 8.447s, 2032 | 410,000 | 366,628 |
| Ser. 07-PW17, Class A3, 5.736s, 2050 | 2,068,000 | 1,960,526 |
| Bear Stearns Commercial Mortgage Securities, Inc. 144A Ser. 07-PW18, Class X1, IO, 0.062s, 2050 | | |
| | 62,631,285 | 523,773 |
| Broadgate Financing PLC sec. FRB Ser. D, 6.713s, 2023 (United Kingdom) | | |
| | GBP 382,375 | 511,654 |
| Citigroup Mortgage Loan Trust, Inc. FRB Ser. 06-AR5, Class 2A5A, 6.202s, 2036 | | |
| | \$1,427,863 | 987,415 |
| FRB Ser. 06-AR7, Class 2A2A, 5.654s, 2036 | 250,599 | 157,877 |
| IFB Ser. 07-6, Class 2A5, IO, 3.443s, 2037 | 1,779,164 | 122,874 |
| Citigroup/Deutsche Bank Commercial Mortgage Trust Ser. 06-CD3, Class A4, 5.658s, 2048 | | |
| | 106,000 | 100,364 |
| Citigroup/Deutsche Bank Commercial Mortgage Trust 144A Ser. 07-CD5, | | |

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|---|---------------------|-----------|
| Class XS, IO, 0.067s, 2044 | 36,640,960 | 262,087 |
| <hr/> | | |
| Commercial Mortgage Pass-Through Certificates 144A FRB Ser. 05-F10A, Class A1, 2.588s, 2017 | 253,745 | 241,358 |
| <hr/> | | |
| Countrywide Alternative Loan Trust Ser. 06-45T1, Class 2A2, 6s, 2037 | 902,017 | 549,779 |
| Ser. 06-J8, Class A4, 6s, 2037 | 2,270,693 | 1,156,918 |
| Ser. 07-HY5R, Class 2A1A, 5.544s, 2047 | 1,745,585 | 1,429,471 |
| IFB Ser. 04-2CB, Class 1A5, IO, 4.393s, 2034 | 1,830,502 | 95,672 |
| <hr/> | | |
| COLLATERALIZED MORTGAGE OBLIGATIONS (43.6%)* <i>cont.</i> | Principal amount | Value |
| <hr/> | | |
| Countrywide Home Loans FRB Ser. 05-HYB7, Class 6A1, 5.714s, 2035 | \$46,263 | \$32,847 |
| Ser. 05-2, Class 2X, IO, 1.16s, 2035 | 2,691,188 | 58,344 |
| <hr/> | | |
| Countrywide Home Loans 144A IFB Ser. 05-R1, Class 1AS, IO, 3.523s, 2035 | 3,222,185 | 185,276 |
| <hr/> | | |
| Credit Suisse Mortgage Capital Certificates FRB Ser. 07-C4, Class A2, 6.004s, 2039 | 814,000 | 769,356 |
| Ser. 07-C5, Class A3, 5.694s, 2040 | 11,100,000 | 9,932,402 |
| <hr/> | | |
| CRESI Finance Limited Partnership 144A FRB Ser. 06-A, Class C, 3.807s, 2017 | 251,000 | 225,498 |
| <hr/> | | |
| CS First Boston Mortgage Securities Corp. 144A Ser. 98-C1, Class F, 6s, 2040 | 966,000 | 801,117 |
| Ser. 02-CP5, Class M, 5 1/4s, 2035 | 354,000 | 70,800 |
| FRB Ser. 05-TFLA, Class L, 4.338s, 2020 | 699,000 | 580,170 |
| <hr/> | | |
| Deutsche Mortgage & Asset Receiving Corp. Ser. 98-C1, Class X, IO, 0.776s, 2031 | 3,067,852 | 75,970 |
| <hr/> | | |
| DLJ Commercial Mortgage Corp. Ser. 98-CF2, Class B4, 6.04s, 2031 | 286,492 | 245,323 |
| <hr/> | | |
| DLJ Commercial Mortgage Corp. 144A Ser. 98-CF2, Class B5, 5.95s, 2031 | 915,958 | 725,622 |
| <hr/> | | |

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| | | | |
|---|-----|---------|---------|
| European Loan Conduit 144A FRB Ser. 22A, Class D, 6.646s, 2014 (Ireland) | GBP | 507,000 | 704,018 |
|---|-----|---------|---------|

| | | | |
|--|-----|---------|---------|
| European Prime Real Estate PLC 144A FRB Ser. 1-A, Class D, 6.641s, 2014 (United Kingdom) | GBP | 276,306 | 401,660 |
|--|-----|---------|---------|

| | | | |
|---|--|-----------|-----------|
| Fannie Mae | | | |
| IFB Ser. 06-70, Class SM, 27.567s, 2036 | | \$212,266 | 272,700 |
| IFB Ser. 07-1, Class NR, 23.128s, 2037 | | 912,442 | 1,004,155 |
| IFB Ser. 06-62, Class PS, 20.659s, 2036 | | 654,725 | 801,637 |
| IFB Ser. 06-76, Class QB, 20.359s, 2036 | | 1,592,216 | 1,932,857 |
| IFB Ser. 06-70, Class SJ, 20.359s, 2036 | | 108,693 | 133,796 |
| IFB Ser. 06-63, Class SP, 20.059s, 2036 | | 1,743,442 | 2,084,576 |
| IFB Ser. 07-W7, Class 1A4, 19.939s, 2037 | | 572,274 | 555,105 |
| IFB Ser. 06-104, Class GS, 17.994s, 2036 | | 330,738 | 387,253 |
| IFB Ser. 06-60, Class TK, 15.772s, 2036 | | 483,246 | 535,277 |
| IFB Ser. 05-25, Class PS, 14.05s, 2035 | | 663,655 | 707,637 |
| IFB Ser. 05-74, Class CP, 12.991s, 2035 | | 456,854 | 482,301 |
| IFB Ser. 05-115, Class NQ, 12.912s, 2036 | | 259,568 | 259,249 |
| IFB Ser. 06-27, Class SP, 12.808s, 2036 | | 734,005 | 796,310 |
| IFB Ser. 06-8, Class HP, 12.808s, 2036 | | 775,116 | 837,839 |
| IFB Ser. 06-8, Class WK, 12.808s, 2036 | | 1,241,323 | 1,327,413 |
| IFB Ser. 05-106, Class US, 12.808s, 2035 | | 1,104,947 | 1,208,965 |
| IFB Ser. 05-99, Class SA, 12.808s, 2035 | | 536,194 | 572,045 |
| IFB Ser. 06-60, Class CS, 12.331s, 2036 | | 814,956 | 806,523 |
| IFB Ser. 05-74, Class CS, 11.201s, 2035 | | 520,854 | 548,675 |
| IFB Ser. 04-79, Class S, 10.981s, 2032 | | 764,219 | 768,370 |
| IFB Ser. 05-114, Class SP, 10.761s, 2036 | | 324,532 | 324,610 |
| IFB Ser. 05-95, Class OP, 10.45s, 2035 | | 334,416 | 324,697 |
| IFB Ser. 05-95, Class CP, 10.35s, 2035 | | 78,231 | 79,752 |
| IFB Ser. 05-83, Class QP, 9.056s, 2034 | | 186,487 | 177,662 |
| Ser. 383, Class 90, IO, 8s, 2037 | | 76,533 | 13,157 |
| Ser. 04-T2, Class 1A4, 7 1/2s, 2043 | | 245,086 | 257,263 |
| Ser. 02-T19, Class A3, 7 1/2s, 2042 | | 200,055 | 212,712 |
| Ser. 02-14, Class A2, 7 1/2s, 2042 | | 1,459 | 1,542 |
| Ser. 01-T10, Class A2, 7 1/2s, 2041 | | 194,613 | 201,587 |
| Ser. 02-T4, Class A3, 7 1/2s, 2041 | | 874 | 931 |

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| | | |
|--|---------------------|-------|
| COLLATERALIZED MORTGAGE OBLIGATIONS (43.6%)* <i>cont.</i> | Principal amount | Value |
|--|---------------------|-------|

| | | |
|------------------------------------|-----------|-----------|
| Fannie Mae | | |
| Ser. 01-T3, Class A1, 7 1/2s, 2040 | \$127,070 | \$133,735 |
| Ser. 01-T1, Class A1, 7 1/2s, 2040 | 384,795 | 406,749 |

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|---------------------------------------|------------|-----------|
| Ser. 99-T2, Class A1, 7 1/2s, 2039 | 151,893 | 161,202 |
| Ser. 386, Class 26, IO, 7 1/2s, 2038 | 117,337 | 21,971 |
| Ser. 386, Class 27, IO, 7 1/2s, 2037 | 78,173 | 15,771 |
| Ser. 386, Class 28, IO, 7 1/2s, 2037 | 81,338 | 15,973 |
| Ser. 383, Class 88, IO, 7 1/2s, 2037 | 123,759 | 23,010 |
| Ser. 383, Class 89, IO, 7 1/2s, 2037 | 96,819 | 19,043 |
| Ser. 383, Class 87, IO, 7 1/2s, 2037 | 154,792 | 29,888 |
| Ser. 00-T6, Class A1, 7 1/2s, 2030 | 73,363 | 77,005 |
| Ser. 01-T4, Class A1, 7 1/2s, 2028 | 362,292 | 385,686 |
| Ser. 04-W12, Class 1A3, 7s, 2044 | 279,864 | 293,512 |
| Ser. 01-T10, Class A1, 7s, 2041 | 767,912 | 797,909 |
| Ser. 386, Class 24, IO, 7s, 2038 | 99,619 | 24,046 |
| Ser. 386, Class 25, IO, 7s, 2038 | 105,648 | 25,995 |
| Ser. 386, Class 22, IO, 7s, 2038 | 136,122 | 32,033 |
| Ser. 386, Class 21, IO, 7s, 2037 | 153,830 | 37,002 |
| Ser. 386, Class 23, IO, 7s, 2037 | 151,367 | 36,192 |
| Ser. 383, Class 84, IO, 7s, 2037 | 141,201 | 34,249 |
| Ser. 383, Class 85, IO, 7s, 2037 | 89,962 | 22,335 |
| Ser. 383, Class 86, IO, 7s, 2037 | 81,549 | 19,910 |
| Ser. 383, Class 79, IO, 7s, 2037 | 143,565 | 30,560 |
| Ser. 383, Class 80, IO, 7s, 2037 | 312,964 | 57,898 |
| Ser. 383, Class 81, IO, 7s, 2037 | 171,773 | 37,657 |
| Ser. 383, Class 82, IO, 7s, 2037 | 171,622 | 39,922 |
| Ser. 383, Class 83, IO, 7s, 2037 | 143,336 | 34,127 |
| Ser. 386, Class 14, IO, 6 1/2s, 2038 | 1,243,791 | 216,109 |
| Ser. 386, Class 19, IO, 6 1/2s, 2038 | 146,978 | 31,692 |
| Ser. 386, Class 17, IO, 6 1/2s, 2037 | 224,810 | 38,499 |
| Ser. 386, Class 16, IO, 6 1/2s, 2037 | 154,586 | 35,256 |
| Ser. 383, Class 60, IO, 6 1/2s, 2037 | 713,858 | 140,987 |
| Ser. 383, Class 62, IO, 6 1/2s, 2037 | 199,171 | 43,733 |
| Ser. 383, Class 69, IO, 6 1/2s, 2037 | 112,636 | 26,736 |
| Ser. 383, Class 63, IO, 6 1/2s, 2037 | 155,328 | 34,536 |
| Ser. 383, Class 64, IO, 6 1/2s, 2037 | 287,162 | 58,509 |
| Ser. 383, Class 67, IO, 6 1/2s, 2037 | 151,485 | 32,944 |
| Ser. 383, Class 68, IO, 6 1/2s, 2037 | 89,293 | 19,997 |
| Ser. 383, Class 58, IO, 6 1/2s, 2037 | 332,688 | 64,874 |
| Ser. 383, Class 59, IO, 6 1/2s, 2037 | 209,260 | 45,287 |
| Ser. 383, Class 61, IO, 6 1/2s, 2037 | 166,841 | 35,994 |
| Ser. 383, Class 65, IO, 6 1/2s, 2037 | 198,356 | 45,551 |
| Ser. 383, Class 66, IO, 6 1/2s, 2037 | 202,505 | 46,417 |
| Ser. 383, Class 72, IO, 6 1/2s, 2037 | 798,341 | 154,678 |
| Ser. 383, Class 77, IO, 6 1/2s, 2037 | 120,239 | 26,900 |
| Ser. 383, Class 78, IO, 6 1/2s, 2037 | 123,187 | 23,008 |
| Ser. 383, Class 73, IO, 6 1/2s, 2037 | 272,718 | 51,135 |
| Ser. 383, Class 76, IO, 6 1/2s, 2037 | 164,057 | 37,133 |
| Ser. 383, Class 70, IO, 6 1/2s, 2037 | 421,610 | 80,633 |
| Ser. 383, Class 74, IO, 6 1/2s, 2037 | 224,389 | 41,793 |
| Ser. 383, Class 71, IO, 6 1/2s, 2036 | 178,438 | 37,980 |
| Ser. 383, Class 75, IO, 6 1/2s, 2036 | 143,845 | 31,679 |
| Ser. 371, Class 2, IO, 6 1/2s, 2036 | 11,576,124 | 2,561,217 |
| Ser. 383, Class 101, IO, 6 1/2s, 2022 | 72,198 | 13,405 |

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|------------------------------------|-----------|---------|
| Ser. 389, Class 6, IO, 6s, 2038 | 212,234 | 45,100 |
| Ser. 08-76, Class JI, IO, 6s, 2038 | 1,378,377 | 265,338 |
| Ser. 386, Class 10, IO, 6s, 2038 | 108,856 | 23,130 |
| Ser. 386, Class 11, IO, 6s, 2038 | 92,431 | 17,306 |
| Ser. 383, Class 41, IO, 6s, 2038 | 1,209,843 | 223,821 |
| Ser. 383, Class 42, IO, 6s, 2038 | 874,497 | 159,596 |
| Ser. 383, Class 43, IO, 6s, 2038 | 790,284 | 146,203 |
| Ser. 383, Class 44, IO, 6s, 2038 | 721,852 | 132,640 |
| Ser. 383, Class 45, IO, 6s, 2038 | 555,966 | 102,159 |
| Ser. 383, Class 46, IO, 6s, 2038 | 483,164 | 88,781 |
| Ser. 383, Class 47, IO, 6s, 2038 | 428,099 | 82,409 |
| Ser. 383, Class 48, IO, 6s, 2038 | 384,305 | 73,979 |

| | | |
|-----------------------------------|-----------|-------|
| COLLATERALIZED MORTGAGE | Principal | |
| OBLIGATIONS (43.6%)* <i>cont.</i> | amount | Value |

Fannie Mae

| | | |
|--------------------------------------|-----------|----------|
| Ser. 383, Class 52, IO, 6s, 2038 | \$155,592 | \$33,212 |
| Ser. 386, Class 9, IO, 6s, 2038 | 693,040 | 120,416 |
| Ser. 383, Class 28, IO, 6s, 2038 | 1,446,272 | 278,407 |
| Ser. 383, Class 29, IO, 6s, 2038 | 1,300,604 | 250,366 |
| Ser. 383, Class 30, IO, 6s, 2038 | 959,808 | 184,763 |
| Ser. 383, Class 31, IO, 6s, 2038 | 846,247 | 162,903 |
| Ser. 383, Class 32, IO, 6s, 2038 | 656,386 | 126,354 |
| Ser. 383, Class 33, IO, 6s, 2038 | 561,981 | 109,586 |
| Ser. 383, Class 37, IO, 6s, 2038 | 217,928 | 48,345 |
| Ser. 386, Class 7, IO, 6s, 2038 | 847,894 | 165,339 |
| Ser. 383, Class 34, IO, 6s, 2037 | 226,750 | 44,216 |
| Ser. 383, Class 35, IO, 6s, 2037 | 187,810 | 39,719 |
| Ser. 383, Class 36, IO, 6s, 2037 | 148,111 | 31,211 |
| Ser. 383, Class 38, IO, 6s, 2037 | 92,728 | 19,658 |
| Ser. 383, Class 50, IO, 6s, 2037 | 262,312 | 47,544 |
| Ser. 386, Class 6, IO, 6s, 2037 | 406,783 | 75,255 |
| Ser. 383, Class 39, IO, 6s, 2037 | 89,377 | 17,148 |
| Ser. 383, Class 49, IO, 6s, 2037 | 197,594 | 41,668 |
| Ser. 383, Class 51, IO, 6s, 2037 | 203,614 | 42,722 |
| Ser. 383, Class 53, IO, 6s, 2037 | 85,636 | 18,058 |
| Ser. 383, Class 57, IO, 6s, 2037 | 124,164 | 23,570 |
| Ser. 383, Class 100, IO, 6s, 2022 | 77,585 | 15,377 |
| Ser. 383, Class 98, IO, 6s, 2022 | 214,776 | 45,082 |
| Ser. 383, Class 99, IO, 6s, 2022 | 94,778 | 18,760 |
| Ser. 383, Class 18, IO, 5 1/2s, 2038 | 761,880 | 148,567 |
| Ser. 383, Class 19, IO, 5 1/2s, 2038 | 695,348 | 134,724 |
| Ser. 383, Class 25, IO, 5 1/2s, 2038 | 119,031 | 27,057 |
| Ser. 386, Class 4, IO, 5 1/2s, 2037 | 172,403 | 42,742 |
| Ser. 386, Class 5, IO, 5 1/2s, 2037 | 110,023 | 24,497 |
| Ser. 383, Class 15, IO, 5 1/2s, 2037 | 105,259 | 24,396 |
| Ser. 383, Class 4, IO, 5 1/2s, 2037 | 1,063,026 | 212,605 |
| Ser. 383, Class 5, IO, 5 1/2s, 2037 | 674,895 | 136,666 |
| Ser. 383, Class 6, IO, 5 1/2s, 2037 | 605,870 | 122,689 |
| Ser. 383, Class 7, IO, 5 1/2s, 2037 | 597,906 | 121,076 |

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| Ser. 383, Class 8, IO, 5 1/2s, 2037 | 242,434 | 51,517 |
| Ser. 383, Class 9, IO, 5 1/2s, 2037 | 231,135 | 49,116 |
| Ser. 383, Class 20, IO, 5 1/2s, 2037 | 430,524 | 87,181 |
| Ser. 383, Class 21, IO, 5 1/2s, 2037 | 406,572 | 82,331 |
| Ser. 383, Class 22, IO, 5 1/2s, 2037 | 275,507 | 57,857 |
| Ser. 383, Class 23, IO, 5 1/2s, 2037 | 248,589 | 51,582 |
| Ser. 383, Class 24, IO, 5 1/2s, 2037 | 174,192 | 40,366 |
| Ser. 383, Class 26, IO, 5 1/2s, 2037 | 127,747 | 31,381 |
| Ser. 379, Class 2, IO, 5 1/2s, 2037 | 2,763,674 | 631,776 |
| Ser. 363, Class 2, IO, 5 1/2s, 2035 | 1,951,747 | 459,051 |
| Ser. 383, Class 95, IO, 5 1/2s, 2022 | 342,683 | 50,546 |
| Ser. 383, Class 97, IO, 5 1/2s, 2022 | 143,724 | 28,099 |
| Ser. 383, Class 94, IO, 5 1/2s, 2022 | 172,032 | 36,158 |
| Ser. 383, Class 96, IO, 5 1/2s, 2022 | 186,763 | 37,659 |
| Ser. 383, Class 2, IO, 5s, 2037 | 113,952 | 26,404 |
| Ser. 377, Class 2, IO, 5s, 2036 | 816,531 | 193,436 |
| Ser. 383, Class 92, IO, 5s, 2022 | 149,536 | 30,277 |
| Ser. 383, Class 93, IO, 5s, 2022 | 85,810 | 16,785 |
| IFB Ser. 07-W6, Class 6A2, IO, 4.593s, 2037 | 1,001,110 | 83,843 |
| IFB Ser. 06-90, Class SE, IO, 4.593s, 2036 | 2,247,984 | 271,125 |
| IFB Ser. 04-51, Class XP, IO, 4.493s, 2034 | 2,125,741 | 217,390 |
| IFB Ser. 03-66, Class SA, IO, 4.443s, 2033 | 887,375 | 90,845 |
| IFB Ser. 08-7, Class SA, IO, 4.343s, 2038 | 4,495,288 | 532,696 |
| IFB Ser. 07-W6, Class 5A2, IO, 4.083s, 2037 | 1,483,576 | 109,414 |

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| COLLATERALIZED MORTGAGE OBLIGATIONS (43.6%)* <i>cont.</i> | Principal amount | Value |
|--|---------------------|-----------|
| Fannie Mae | | |
| IFB Ser. 07-W2, Class 3A2, IO, 4.073s, 2037 | \$1,421,952 | \$107,535 |
| IFB Ser. 06-115, Class BI, IO, 4.053s, 2036 | 1,190,827 | 82,183 |
| IFB Ser. 05-113, Class AI, IO, 4.023s, 2036 | 712,386 | 61,517 |
| IFB Ser. 05-113, Class DI, IO, 4.023s, 2036 | 4,678,409 | 407,999 |
| IFB Ser. 08-36, Class YI, IO, 3.993s, 2036 | 1,686,523 | 158,069 |
| IFB Ser. 06-60, Class SI, IO, 3.943s, 2036 | 1,419,536 | 131,307 |
| IFB Ser. 06-60, Class UI, IO, | | |

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| 3.943s, 2036 | 574,611 | 48,870 |
| IFB Ser. 07-W7, Class 3A2, IO, 3.923s, 2037 | 1,691,053 | 151,938 |
| IFB Ser. 06-60, Class DI, IO, 3.863s, 2035 | 1,688,698 | 118,209 |
| IFB Ser. 03-130, Class BS, IO, 3.843s, 2033 | 2,281,362 | 202,818 |
| IFB Ser. 03-34, Class WS, IO, 3.793s, 2029 | 2,178,947 | 178,053 |
| IFB Ser. 08-10, Class LI, IO, 3.773s, 2038 | 2,188,285 | 201,049 |
| IFB Ser. 07-39, Class LI, IO, 3.563s, 2037 | 1,185,965 | 102,714 |
| IFB Ser. 07-23, Class SI, IO, 3.563s, 2037 | 360,285 | 24,891 |
| IFB Ser. 07-54, Class CI, IO, 3.553s, 2037 | 1,090,002 | 98,573 |
| IFB Ser. 07-39, Class PI, IO, 3.553s, 2037 | 888,932 | 62,012 |
| IFB Ser. 07-30, Class WI, IO, 3.553s, 2037 | 5,113,742 | 393,763 |
| IFB Ser. 07-28, Class SE, IO, 3.543s, 2037 | 221,734 | 19,757 |
| IFB Ser. 07-22, Class S, IO, 3.543s, 2037 | 15,775,729 | 1,311,358 |
| IFB Ser. 06-128, Class SH, IO, 3.543s, 2037 | 977,125 | 65,353 |
| IFB Ser. 06-56, Class SM, IO, 3.543s, 2036 | 1,248,061 | 100,503 |
| IFB Ser. 05-90, Class SP, IO, 3.543s, 2035 | 621,044 | 54,897 |
| IFB Ser. 05-12, Class SC, IO, 3.543s, 2035 | 777,313 | 65,236 |
| IFB Ser. 07-W5, Class 2A2, IO, 3.533s, 2037 | 535,124 | 41,472 |
| IFB Ser. 07-30, Class IE, IO, 3.533s, 2037 | 2,701,985 | 280,469 |
| IFB Ser. 06-123, Class CI, IO, 3.533s, 2037 | 2,193,912 | 182,909 |
| IFB Ser. 06-123, Class UI, IO, 3.533s, 2037 | 2,112,935 | 165,073 |
| IFB Ser. 05-45, Class EW, IO, 3.513s, 2035 | 601,445 | 46,469 |
| IFB Ser. 07-15, Class BI, IO, 3.493s, 2037 | 3,530,305 | 287,854 |
| IFB Ser. 06-126, Class CS, IO, 3.493s, 2037 | 1,495,572 | 120,539 |
| IFB Ser. 06-16, Class SM, IO, 3.493s, 2036 | 2,176,622 | 186,295 |
| IFB Ser. 05-95, Class CI, IO, 3.493s, 2035 | 1,193,410 | 111,817 |

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| COLLATERALIZED MORTGAGE OBLIGATIONS (43.6%)* <i>cont.</i> | Principal amount | Value |
|--|---------------------|-----------|
| Fannie Mae | | |
| IFB Ser. 05-84, Class SG, IO, 3.493s, 2035 | \$1,968,224 | \$167,299 |
| IFB Ser. 05-57, Class NI, IO, 3.493s, 2035 | 496,256 | 38,804 |
| IFB Ser. 05-29, Class SX, IO, 3.493s, 2035 | 820,178 | 72,421 |
| IFB Ser. 04-92, Class S, IO, 3.493s, 2034 | 2,885,584 | 201,991 |
| IFB Ser. 06-104, Class EI, IO, 3.483s, 2036 | 1,119,754 | 106,197 |
| IFB Ser. 05-83, Class QI, IO, 3.483s, 2035 | 325,890 | 26,687 |
| IFB Ser. 06-128, Class GS, IO, 3.473s, 2037 | 1,217,669 | 106,300 |
| IFB Ser. 06-116, Class ES, IO, 3.443s, 2036 | 180,520 | 14,064 |
| IFB Ser. 06-114, Class IS, IO, 3.443s, 2036 | 1,100,803 | 89,139 |
| IFB Ser. 04-92, Class SQ, IO, 3.443s, 2034 | 1,195,257 | 108,199 |
| IFB Ser. 06-115, Class IE, IO, 3.433s, 2036 | 855,107 | 73,158 |
| IFB Ser. 06-117, Class SA, IO, 3.433s, 2036 | 1,269,493 | 97,602 |
| IFB Ser. 06-121, Class SD, IO, 3.433s, 2036 | 140,493 | 10,274 |
| IFB Ser. 06-109, Class SG, IO, 3.423s, 2036 | 329,458 | 24,709 |
| IFB Ser. 06-104, Class SY, IO, 3.413s, 2036 | 295,116 | 21,787 |
| IFB Ser. 06-109, Class SH, IO, 3.413s, 2036 | 1,037,348 | 92,820 |
| IFB Ser. 06-111, Class SA, IO, 3.413s, 2036 | 6,863,864 | 572,982 |
| IFB Ser. 07-W6, Class 4A2, IO, 3.393s, 2037 | 5,985,927 | 448,945 |
| IFB Ser. 06-128, Class SC, IO, 3.393s, 2037 | 1,304,045 | 95,948 |
| IFB Ser. 06-43, Class SI, IO, 3.393s, 2036 | 2,253,139 | 180,100 |
| IFB Ser. 06-8, Class JH, IO, 3.393s, 2036 | 4,187,764 | 352,317 |
| IFB Ser. 05-122, Class SG, IO, 3.393s, 2035 | 992,534 | 86,124 |
| IFB Ser. 05-95, Class OI, IO, 3.383s, 2035 | 184,725 | 15,274 |

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| IFB Ser. 06-92, Class LI, IO, 3.373s, 2036 | 1,254,086 | 100,161 |
| IFB Ser. 06-99, Class AS, IO, 3.373s, 2036 | 348,423 | 27,221 |
| IFB Ser. 06-98, Class SQ, IO, 3.363s, 2036 | 11,360,729 | 830,753 |
| IFB Ser. 06-85, Class TS, IO, 3.353s, 2036 | 2,785,128 | 206,815 |
| IFB Ser. 07-75, Class PI, IO, 3.333s, 2037 | 1,350,966 | 97,565 |
| IFB Ser. 07-88, Class MI, IO, 3.313s, 2037 | 499,366 | 33,739 |
| IFB Ser. 07-103, Class AI, IO, 3.293s, 2037 | 5,985,399 | 433,941 |
| IFB Ser. 07-15, Class NI, IO, 3.293s, 2022 | 2,024,928 | 129,089 |
| IFB Ser. 07-106, Class SM, IO, 3.253s, 2037 | 3,165,524 | 231,932 |

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| COLLATERALIZED MORTGAGE OBLIGATIONS (43.6%)* <i>cont.</i> | Principal amount | Value |
|--|---------------------|-----------|
| Fannie Mae | | |
| IFB Ser. 08-3, Class SC, IO, 3.243s, 2038 | \$2,426,744 | \$187,030 |
| IFB Ser. 07-109, Class XI, IO, 3.243s, 2037 | 869,994 | 71,581 |
| IFB Ser. 07-109, Class YI, IO, 3.243s, 2037 | 1,338,089 | 96,317 |
| IFB Ser. 07-W8, Class 2A2, IO, 3.243s, 2037 | 2,209,947 | 140,188 |
| IFB Ser. 07-88, Class JI, IO, 3.243s, 2037 | 1,566,381 | 120,311 |
| IFB Ser. 06-79, Class SH, IO, 3.243s, 2036 | 1,966,612 | 164,152 |
| IFB Ser. 07-54, Class KI, IO, 3.233s, 2037 | 671,699 | 38,951 |
| IFB Ser. 07-30, Class JS, IO, 3.233s, 2037 | 2,410,015 | 174,726 |
| IFB Ser. 07-30, Class LI, IO, 3.233s, 2037 | 2,366,271 | 194,541 |
| IFB Ser. 07-W2, Class 1A2, IO, 3.223s, 2037 | 985,947 | 68,315 |
| IFB Ser. 07-106, Class SN, IO, 3.203s, 2037 | 1,294,779 | 92,516 |
| IFB Ser. 07-54, Class IA, IO, 3.203s, 2037 | 1,202,718 | 95,532 |
| IFB Ser. 07-54, Class IB, IO, | | |

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| 3.203s, 2037 | 1,202,718 | 95,532 |
| IFB Ser. 07-54, Class IC, IO, 3.203s, 2037 | 1,202,718 | 95,532 |
| IFB Ser. 07-54, Class ID, IO, 3.203s, 2037 | 1,202,718 | 95,532 |
| IFB Ser. 07-54, Class IE, IO, 3.203s, 2037 | 1,202,718 | 95,532 |
| IFB Ser. 07-54, Class IF, IO, 3.203s, 2037 | 1,918,642 | 156,146 |
| IFB Ser. 07-54, Class NI, IO, 3.203s, 2037 | 1,043,882 | 87,021 |
| IFB Ser. 07-54, Class UI, IO, 3.203s, 2037 | 1,780,828 | 142,162 |
| IFB Ser. 07-91, Class AS, IO, 3.193s, 2037 | 883,052 | 66,753 |
| IFB Ser. 07-91, Class HS, IO, 3.193s, 2037 | 944,731 | 66,832 |
| IFB Ser. 07-15, Class CI, IO, 3.173s, 2037 | 4,090,603 | 302,729 |
| IFB Ser. 06-123, Class BI, IO, 3.173s, 2037 | 4,982,376 | 364,082 |
| IFB Ser. 06-115, Class JI, IO, 3.173s, 2036 | 2,970,003 | 217,181 |
| IFB Ser. 07-109, Class PI, IO, 3.143s, 2037 | 1,445,040 | 108,746 |
| IFB Ser. 06-123, Class LI, IO, 3.113s, 2037 | 1,975,162 | 154,129 |
| IFB Ser. 08-1, Class NI, IO, 3.043s, 2037 | 2,626,689 | 165,810 |
| IFB Ser. 08-10, Class GI, IO, 3.023s, 2038 | 1,548,796 | 87,126 |
| IFB Ser. 08-13, Class SA, IO, 3.013s, 2038 | 6,274,374 | 426,400 |
| IFB Ser. 07-39, Class AI, IO, 2.913s, 2037 | 2,223,635 | 145,418 |
| IFB Ser. 07-32, Class SD, IO, 2.903s, 2037 | 1,422,691 | 100,478 |
| IFB Ser. 07-30, Class UI, IO, 2.893s, 2037 | 1,162,899 | 79,530 |
| COLLATERALIZED MORTGAGE OBLIGATIONS (43.6%)* <i>cont.</i> | Principal amount | Value |
| Fannie Mae | | |
| IFB Ser. 07-32, Class SC, IO, 2.893s, 2037 | \$2,017,173 | \$141,121 |
| IFB Ser. 07-1, Class CI, IO, 2.893s, 2037 | 1,361,484 | 97,168 |
| IFB Ser. 05-74, Class SE, IO, 2.893s, 2035 | 1,592,763 | 93,898 |
| IFB Ser. 05-14, Class SE, IO, | | |

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| 2.843s, 2035 | 1,012,097 | 59,774 |
| IFB Ser. 08-1, Class BI, IO, 2.703s, 2038 | 4,067,090 | 198,946 |
| IFB Ser. 07-75, Class ID, IO, 2.663s, 2037 | 1,379,761 | 89,580 |
| Ser. 03-W17, Class 12, IO, 1.147s, 2033 | 2,045,031 | 78,725 |
| Ser. 03-W10, Class 3A, IO, 0.703s, 2043 | 3,383,955 | 69,610 |
| Ser. 03-W10, Class 1A, IO, 0.66s, 2043 | 2,824,961 | 46,758 |
| Ser. 02-T18, IO, 0.514s, 2042 | 5,684,788 | 69,349 |
| Ser. 06-117, Class OA, Principal Only (PO), zero %, 2036 | 78,075 | 63,391 |
| Ser. 06-56, Class XF, zero %, 2036 | 86,757 | 89,912 |
| Ser. 04-38, Class AO, PO, zero %, 2034 | 293,157 | 203,744 |
| Ser. 04-61, Class CO, PO, zero %, 2031 | 456,069 | 360,295 |
| Ser. 99-51, Class N, PO, zero %, 2029 | 55,980 | 47,023 |
| Ser. 07-15, Class IM, IO, zero %, 2009 | 1,169,279 | 85 |
| Ser. 07-16, Class TS, IO, zero %, 2009 | 4,798,698 | 337 |
| FRB Ser. 05-91, Class EF, zero %, 2035 | 80,346 | 78,467 |
| FRB Ser. 06-54, Class CF, zero %, 2035 | 122,113 | 116,714 |
| <hr/> | | |
| Federal Home Loan Mortgage Corp. Structured Pass-Through Securities | | |
| Ser. T-58, Class 4A, 7 1/2s, 2043 | 4,824 | 5,109 |
| Ser. T-60, Class 1A2, 7s, 2044 | 1,414,540 | 1,501,333 |
| IFB Ser. T-56, Class 2ASI, IO, 4.893s, 2043 | 686,694 | 74,918 |
| Ser. T-57, Class 1AX, IO, 0.451s, 2043 | 1,866,113 | 19,736 |
| <hr/> | | |
| FFCA Secured Lending Corp. 144A | | |
| Ser. 00-1, Class X, IO, 1.322s, 2020 F | 4,793,050 | 304,244 |
| <hr/> | | |
| First Chicago Lennar Trust 144A | | |
| Ser. 97-CHL1, Class E, 8.026s, 2039 | 375,558 | 375,558 |
| <hr/> | | |
| Freddie Mac | | |
| IFB Ser. 3153, Class JS, 20.663s, 2036 | 577,627 | 663,917 |
| IFB Ser. 3182, Class PS, 18.65s, 2032 | 174,721 | 201,590 |
| IFB Ser. 3182, Class SP, 18.65s, 2032 | 412,296 | 414,101 |

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| IFB Ser. 3393, Class JS, 18.059998s, 2032 | 607,998 | 618,345 |
| IFB Ser. 3081, Class DC, 17.966s, 2035 | 441,974 | 469,589 |
| IFB Ser. 3211, Class SI, IO, 17.207s, 2036 | 321,767 | 155,946 |
| IFB Ser. 3114, Class GK, 16.45s, 2036 | 312,078 | 332,116 |
| IFB Ser. 2979, Class AS, 15.152s, 2034 | 195,136 | 202,598 |
| IFB Ser. 3149, Class SU, 12.822s, 2036 | 368,158 | 355,153 |
| IFB Ser. 3065, Class DC, 12.398s, 2035 | 728,480 | 704,148 |
| IFB Ser. 3012, Class FS, 10.656s, 2035 | 500,009 | 503,764 |
| IFB Ser. 248, IO, 5 1/2s, 2037 | 999,346 | 226,571 |

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| COLLATERALIZED MORTGAGE OBLIGATIONS (43.6%)* <i>cont.</i> | Principal amount | Value |
|--|---------------------|-----------|
| Freddie Mac | | |
| IFB Ser. 3184, Class SP, IO, 4.863s, 2033 | \$1,705,958 | \$141,439 |
| IFB Ser. 2882, Class LS, IO, 4.713s, 2034 | 765,168 | 68,103 |
| IFB Ser. 3203, Class SH, IO, 4.653s, 2036 | 969,397 | 99,173 |
| IFB Ser. 2594, Class SE, IO, 4.563s, 2030 | 348,566 | 26,655 |
| IFB Ser. 2828, Class TI, IO, 4.563s, 2030 | 611,996 | 46,062 |
| IFB Ser. 3397, Class GS, IO, 4.513s, 2037 | 838,413 | 64,052 |
| IFB Ser. 3297, Class BI, IO, 4.273s, 2037 | 3,853,941 | 335,694 |
| IFB Ser. 3287, Class SD, IO, 4.263s, 2037 | 1,303,082 | 109,170 |
| IFB Ser. 3281, Class BI, IO, 4.263s, 2037 | 689,190 | 63,380 |
| IFB Ser. 3281, Class CI, IO, 4.263s, 2037 | 747,453 | 68,842 |
| IFB Ser. 3249, Class SI, IO, 4.263s, 2036 | 626,637 | 50,562 |
| IFB Ser. 3028, Class ES, IO, 4.263s, 2035 | 3,264,487 | 292,374 |
| IFB Ser. 3042, Class SP, IO, 4.263s, 2035 | 999,429 | 73,029 |
| IFB Ser. 3045, Class DI, IO, 4.243s, 2035 | 7,533,999 | 567,114 |
| IFB Ser. 3236, Class ES, IO, 4.213s, 2036 | 105,634 | 8,368 |
| IFB Ser. 3136, Class NS, IO, 4.213s, 2036 | 806,953 | 62,547 |
| IFB Ser. 3107, Class DC, IO, | | |

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| 4.213s, 2035 | 3,564,246 | 317,147 |
| IFB Ser. 2950, Class SM, IO, 4.213s, 2016 | 507,701 | 42,462 |
| IFB Ser. 3256, Class S, IO, 4.203s, 2036 | 1,853,711 | 155,248 |
| IFB Ser. 3031, Class BI, IO, 4.202s, 2035 | 642,653 | 51,235 |
| IFB Ser. 3370, Class TS, IO, 4.183s, 2037 | 3,695,163 | 274,106 |
| IFB Ser. 3244, Class SB, IO, 4.173s, 2036 | 993,911 | 70,009 |
| IFB Ser. 3244, Class SG, IO, 4.173s, 2036 | 1,152,679 | 95,946 |
| IFB Ser. 3236, Class IS, IO, 4.163s, 2036 | 1,926,911 | 140,905 |
| IFB Ser. 3033, Class SG, IO, 4.163s, 2035 | 827,703 | 59,851 |
| IFB Ser. 3114, Class TS, IO, 4.163s, 2030 | 3,799,666 | 299,619 |
| IFB Ser. 3128, Class JI, IO, 4.143s, 2036 | 357,698 | 29,287 |
| IFB Ser. 3240, Class S, IO, 4.133s, 2036 | 3,439,167 | 289,660 |
| IFB Ser. 3229, Class BI, IO, 4.133s, 2036 | 113,129 | 8,869 |
| IFB Ser. 3153, Class JI, IO, 4.133s, 2036 | 1,521,705 | 97,009 |
| IFB Ser. 3065, Class DI, IO, 4.133s, 2035 | 504,069 | 39,368 |
| IFB Ser. 3145, Class GI, IO, 4.113s, 2036 | 292,206 | 25,385 |
| IFB Ser. 3218, Class AS, IO, 4.093s, 2036 | 1,096,981 | 85,597 |
| COLLATERALIZED MORTGAGE OBLIGATIONS (43.6%)* <i>cont.</i> | Principal amount | Value |
| Freddie Mac | | |
| IFB Ser. 3221, Class SI, IO, 4.093s, 2036 | \$1,561,628 | \$116,652 |
| IFB Ser. 3153, Class UI, IO, 4.083s, 2036 | 1,071,957 | 104,633 |
| IFB Ser. 3424, Class XI, IO, 4.083s, 2036 | 1,911,779 | 140,813 |
| IFB Ser. 3202, Class PI, IO, 4.053s, 2036 | 4,311,863 | 345,975 |
| IFB Ser. 3355, Class MI, IO, 4.013s, 2037 | 938,250 | 70,174 |
| IFB Ser. 3201, Class SG, IO, 4.013s, 2036 | 1,973,674 | 149,279 |
| IFB Ser. 3203, Class SE, IO, 4.013s, 2036 | 1,765,610 | 135,324 |

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| IFB Ser. 3238, Class LI, IO, 4.003s, 2036 | 975,339 | 77,781 |
| IFB Ser. 3171, Class PS, IO, 3.998s, 2036 | 1,405,749 | 109,824 |
| IFB Ser. 3152, Class SY, IO, 3.993s, 2036 | 3,145,689 | 287,126 |
| IFB Ser. 3366, Class SA, IO, 3.963s, 2037 | 1,802,873 | 138,839 |
| IFB Ser. 3284, Class BI, IO, 3.963s, 2037 | 1,125,997 | 80,776 |
| IFB Ser. 3260, Class SA, IO, 3.963s, 2037 | 1,010,085 | 66,937 |
| IFB Ser. 3199, Class S, IO, 3.963s, 2036 | 2,791,581 | 234,125 |
| IFB Ser. 3284, Class LI, IO, 3.953s, 2037 | 3,224,609 | 244,609 |
| IFB Ser. 3281, Class AI, IO, 3.943s, 2037 | 4,161,831 | 342,449 |
| IFB Ser. 3311, Class EI, IO, 3.923s, 2037 | 1,190,467 | 97,646 |
| IFB Ser. 3311, Class IA, IO, 3.923s, 2037 | 1,829,724 | 155,869 |
| IFB Ser. 3311, Class IB, IO, 3.923s, 2037 | 1,829,724 | 155,869 |
| IFB Ser. 3311, Class IC, IO, 3.923s, 2037 | 1,829,724 | 155,869 |
| IFB Ser. 3311, Class ID, IO, 3.923s, 2037 | 1,829,724 | 155,869 |
| IFB Ser. 3311, Class IE, IO, 3.923s, 2037 | 2,761,699 | 235,261 |
| IFB Ser. 3311, Class PI, IO, 3.923s, 2037 | 1,276,668 | 105,640 |
| IFB Ser. 3375, Class MS, IO, 3.913s, 2037 | 5,878,904 | 421,653 |
| IFB Ser. 3240, Class GS, IO, 3.893s, 2036 | 2,062,801 | 163,213 |
| IFB Ser. 3416, Class BI, IO, 3.763s, 2038 | 3,797,795 | 276,252 |
| IFB Ser. 3339, Class TI, IO, 3.653s, 2037 | 2,127,471 | 143,878 |
| IFB Ser. 3284, Class CI, IO, 3.633s, 2037 | 5,250,474 | 359,710 |
| IFB Ser. 3016, Class SQ, IO, 3.623s, 2035 | 1,355,288 | 74,102 |
| IFB Ser. 3397, Class SQ, IO, 3.483s, 2037 | 2,872,220 | 171,989 |
| IFB Ser. 3226, Class YS, IO, 3.363s, 2036 | 3,366,066 | 112,023 |
| IFB Ser. 3424, Class UI, IO, 3.273s, 2037 | 1,331,097 | 77,899 |
| Ser. 246, PO, zero %, 2037 | 579,175 | 470,670 |

| COLLATERALIZED MORTGAGE OBLIGATIONS (43.6%)* <i>cont.</i> | Principal amount | Value |
|--|---------------------|----------|
| Freddie Mac | | |
| Ser. 3292, Class DO, PO, zero %, 2037 | \$95,504 | \$70,146 |
| Ser. 3292, Class OA, PO, zero %, 2037 | 131,105 | 91,066 |
| Ser. 3300, PO, zero %, 2037 | 744,734 | 577,169 |
| Ser. 3139, Class CO, PO, zero %, 2036 | 164,582 | 132,578 |
| Ser. 2587, Class CO, PO, zero %, 2032 | 483,299 | 399,302 |
| FRB Ser. 3345, Class TY, zero %, 2037 | 199,496 | 195,026 |
| FRB Ser. 3326, Class XF, zero %, 2037 | 175,169 | 153,972 |
| FRB Ser. 3273, Class HF, zero %, 2037 | 76,265 | 80,359 |
| FRB Ser. 3235, Class TP, zero %, 2036 | 65,721 | 58,295 |
| FRB Ser. 3283, Class KF, zero %, 2036 | 64,924 | 52,024 |
| FRB Ser. 3226, Class YI, IO, zero %, 2036 | 3,366,066 | 128,580 |
| Ser. 3226, Class YW, zero %, 2036 | 313,671 | 274,129 |
| FRB Ser. 3332, Class UA, zero %, 2036 | 68,457 | 63,974 |
| FRB Ser. 3251, Class TC, zero %, 2036 | 766,071 | 776,497 |
| FRB Ser. 3130, Class JF, zero %, 2036 | 289,635 | 301,266 |
| FRB Ser. 3326, Class WF, zero %, 2035 | 167,924 | 140,297 |
| FRB Ser. 3030, Class EF, zero %, 2035 | 87,713 | 85,827 |
| FRB Ser. 3412, Class UF, zero %, 2035 | 425,275 | 358,457 |
| FRB Ser. 2980, Class TY, zero %, 2035 | 55,940 | 45,669 |
| GE Capital Commercial Mortgage Corp. 144A | | |
| FRB Ser. 00-1, Class F, 7.787s, 2033 | 170,000 | 166,105 |
| Ser. 00-1, Class G, 6.131s, 2033 | 596,000 | 375,480 |
| GMAC Commercial Mortgage Securities, Inc. 144A Ser. 99-C3, Class G, 6.974s, 2036 | | |
| | 529,968 | 505,597 |
| Government National Mortgage Association | | |
| FRB Ser. 07-41, Class SA, 21.075s, 2037 | 116,915 | 139,204 |
| IFB Ser. 07-51, Class SP, 20.355s, 2037 | 90,398 | 104,260 |
| IFB Ser. 05-66, Class SP, 12.54s, 2035 | 431,085 | 424,014 |
| Ser. 07-17, Class CI, IO, 7 1/2s, 2037 | 571,781 | 131,510 |
| IFB Ser. 08-42, Class AI, IO, 5.202s, 2038 | 8,015,582 | 832,114 |
| IFB Ser. 04-59, Class SC, IO, 4.712s, 2034 | 692,376 | 65,260 |
| IFB Ser. 04-26, Class IS, IO, 4.712s, 2034 | 729,107 | 46,058 |
| IFB Ser. 07-47, Class SA, IO, | | |

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| 4.612s, 2036 | 1,151,429 | 117,317 |
| IFB Ser. 08-29, Class SA, IO, 4.593s, 2038 | 7,026,417 | 602,494 |
| IFB Ser. 07-35, Class NY, IO, 4.412s, 2035 | 2,024,563 | 153,413 |
| IFB Ser. 07-26, Class SD, IO, 4.312s, 2037 | 1,963,034 | 133,732 |
| IFB Ser. 07-2, Class SA, IO, 4.193s, 2037 | 174,734 | 14,280 |
| IFB Ser. 06-69, Class SI, IO, 4.193s, 2036 | 1,155,280 | 94,009 |
| IFB Ser. 06-61, Class SM, IO, 4.193s, 2036 | 2,278,415 | 185,767 |
| IFB Ser. 06-62, Class SI, IO, 4.193s, 2036 | 1,290,280 | 105,738 |
| IFB Ser. 07-1, Class SL, IO, 4.173s, 2037 | 625,721 | 50,882 |
| IFB Ser. 07-1, Class SM, IO, 4.163s, 2037 | 625,721 | 50,747 |
| IFB Ser. 07-48, Class SB, IO, 4.162s, 2037 | 1,343,599 | 87,392 |
| IFB Ser. 06-62, Class SA, IO, 4.153s, 2036 | 1,609,505 | 126,869 |
| IFB Ser. 06-64, Class SB, IO, 4.153s, 2036 | 1,594,803 | 129,101 |
| COLLATERALIZED MORTGAGE OBLIGATIONS (43.6%)* <i>cont.</i> | Principal amount | Value |
| <hr/> | | |
| Government National Mortgage Association | | |
| IFB Ser. 05-68, Class PU, IO, 4.113s, 2032 | \$976,525 | \$99,474 |
| IFB Ser. 07-74, Class SI, IO, 4.082s, 2037 | 1,014,651 | 92,288 |
| IFB Ser. 07-17, Class AI, IO, 4.062s, 2037 | 4,376,145 | 323,852 |
| IFB Ser. 07-78, Class SA, IO, 4.042s, 2037 | 6,569,279 | 417,832 |
| IFB Ser. 08-2, Class SM, IO, 4.012s, 2038 | 2,495,850 | 163,281 |
| IFB Ser. 07-9, Class AI, IO, 4.012s, 2037 | 2,237,847 | 155,481 |
| IFB Ser. 07-49, Class NY, IO, 3.913s, 2035 | 3,960,645 | 300,637 |
| IFB Ser. 08-40, Class SA, IO, 3.912s, 2038 | 10,349,439 | 727,648 |
| IFB Ser. 05-71, Class SA, IO, 3.872s, 2035 | 3,612,667 | 262,655 |
| IFB Ser. 07-25, Class KS, IO, 3.712s, 2037 | 2,083,463 | 141,044 |

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|---|-----------|---------|
| IFB Ser. 07-21, Class S, IO, 3.712s, 2037 | 78,255 | 4,639 |
| IFB Ser. 07-31, Class AI, IO, 3.692s, 2037 | 1,133,492 | 92,677 |
| IFB Ser. 07-26, Class SG, IO, 3.663s, 2037 | 1,917,463 | 151,619 |
| IFB Ser. 07-62, Class S, IO, 3.662s, 2037 | 1,167,926 | 70,108 |
| IFB Ser. 07-9, Class BI, IO, 3.633s, 2037 | 3,591,076 | 243,792 |
| IFB Ser. 07-31, Class CI, IO, 3.623s, 2037 | 1,018,577 | 70,010 |
| IFB Ser. 07-25, Class SA, IO, 3.613s, 2037 | 1,333,284 | 92,506 |
| IFB Ser. 07-25, Class SB, IO, 3.613s, 2037 | 2,689,469 | 184,928 |
| IFB Ser. 07-22, Class S, IO, 3.613s, 2037 | 1,074,192 | 93,701 |
| IFB Ser. 07-11, Class SA, IO, 3.613s, 2037 | 891,732 | 68,696 |
| IFB Ser. 07-14, Class SB, IO, 3.613s, 2037 | 845,322 | 62,346 |
| IFB Ser. 06-69, Class SA, IO, 3.613s, 2036 | 2,222,955 | 153,125 |
| IFB Ser. 05-84, Class AS, IO, 3.613s, 2035 | 3,122,704 | 248,475 |
| IFB Ser. 07-43, Class SC, IO, 3.612s, 2037 | 1,507,370 | 86,775 |
| IFB Ser. 07-40, Class SC, IO, 3.563s, 2037 | 142,683 | 9,772 |
| IFB Ser. 07-40, Class SD, IO, 3.563s, 2037 | 142,683 | 9,772 |
| IFB Ser. 07-40, Class SE, IO, 3.563s, 2037 | 142,683 | 9,772 |
| IFB Ser. 07-42, Class SC, IO, 3.563s, 2037 | 277,273 | 18,133 |
| IFB Ser. 07-40, Class SB, IO, 3.563s, 2037 | 2,251,392 | 146,291 |
| IFB Ser. 07-51, Class SJ, IO, 3.563s, 2037 | 1,117,490 | 90,963 |
| IFB Ser. 07-53, Class SY, IO, 3.548s, 2037 | 1,956,623 | 171,776 |
| IFB Ser. 07-41, Class SM, IO, 3.513s, 2037 | 403,472 | 25,217 |

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COLLATERALIZED MORTGAGE
OBLIGATIONS (43.6%)* *cont.*

Principal
amount

Value

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| | | |
|--|------------|----------|
| Government National Mortgage Association IFB Ser. 07-41, Class SN, IO, 3.513s, 2037 | \$411,114 | \$25,695 |
| IFB Ser. 07-58, Class PS, IO, 3.513s, 2037 | 982,873 | 76,560 |
| IFB Ser. 04-88, Class S, IO, 3.513s, 2032 | 1,666,510 | 103,611 |
| IFB Ser. 07-40, Class SG, IO, 3.493s, 2037 | 315,879 | 20,971 |
| IFB Ser. 07-59, Class PS, IO, 3.483s, 2037 | 876,420 | 63,780 |
| IFB Ser. 07-59, Class SP, IO, 3.483s, 2037 | 192,525 | 14,300 |
| IFB Ser. 06-38, Class SG, IO, 3.463s, 2033 | 4,008,172 | 247,245 |
| IFB Ser. 07-45, Class QA, IO, 3.453s, 2037 | 277,043 | 18,181 |
| IFB Ser. 07-45, Class QB, IO, 3.413s, 2037 | 277,043 | 16,623 |
| IFB Ser. 07-53, Class SG, IO, 3.413s, 2037 | 648,009 | 41,216 |
| IFB Ser. 07-51, Class SG, IO, 3.393s, 2037 | 5,829,887 | 367,264 |
| IFB Ser. 08-3, Class SA, IO, 3.363s, 2038 | 2,385,888 | 145,996 |
| IFB Ser. 07-79, Class SY, IO, 3.363s, 2037 | 4,019,940 | 231,147 |
| IFB Ser. 07-64, Class AI, IO, 3.363s, 2037 | 2,099,387 | 127,101 |
| IFB Ser. 07-53, Class ES, IO, 3.363s, 2037 | 960,578 | 53,394 |
| IFB Ser. 08-2, Class SB, IO, 3.333s, 2038 | 5,955,482 | 338,230 |
| IFB Ser. 07-10, Class SB, IO, 3.333s, 2037 | 6,215,876 | 433,864 |
| IFB Ser. 08-4, Class SA, IO, 3.329s, 2038 | 11,702,092 | 719,363 |
| IFB Ser. 07-9, Class DI, IO, 3.323s, 2037 | 1,814,065 | 109,044 |
| IFB Ser. 07-59, Class SC, IO, 3.313s, 2037 | 383,233 | 25,024 |
| IFB Ser. 07-57, Class QA, IO, 3.313s, 2037 | 2,352,232 | 147,901 |
| IFB Ser. 07-58, Class SA, IO, 3.313s, 2037 | 1,553,226 | 91,027 |
| IFB Ser. 07-58, Class SC, IO, 3.313s, 2037 | 1,747,918 | 95,811 |
| IFB Ser. 07-59, Class SA, IO, 3.313s, 2037 | 7,108,319 | 450,744 |
| IFB Ser. 07-61, Class SA, IO, | | |

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|---|-----------|---------|
| 3.313s, 2037 | 1,216,559 | 73,801 |
| IFB Ser. 07-53, Class SC, IO, 3.313s, 2037 | 1,029,355 | 55,128 |
| IFB Ser. 07-53, Class SE, IO, 3.313s, 2037 | 231,432 | 14,938 |
| IFB Ser. 06-26, Class S, IO, 3.313s, 2036 | 5,379,333 | 380,964 |
| IFB Ser. 08-15, Class CI, IO, 3.303s, 2038 | 9,602,170 | 582,525 |
| IFB Ser. 07-58, Class SD, IO, 3.303s, 2037 | 1,642,391 | 90,054 |
| IFB Ser. 08-9, Class SK, IO, 3.293s, 2038 | 3,154,492 | 214,527 |
| IFB Ser. 08-6, Class SC, IO, 3.288s, 2038 | 9,722,088 | 532,557 |

COLLATERALIZED MORTGAGE
OBLIGATIONS (43.6%)* *cont.*

| | Principal amount | Value |
|---|---------------------|----------|
| Government National Mortgage Association | | |
| IFB Ser. 07-59, Class SD, IO, 3.283s, 2037 | \$313,074 | \$17,858 |
| IFB Ser. 06-49, Class SA, IO, 3.273s, 2036 | 2,645,268 | 167,416 |
| IFB Ser. 05-65, Class SI, IO, 3.163s, 2035 | 1,416,848 | 88,217 |
| IFB Ser. 06-7, Class SB, IO, 3.133s, 2036 | 331,950 | 19,800 |
| IFB Ser. 06-16, Class SX, IO, 3.103s, 2036 | 1,887,147 | 126,013 |
| IFB Ser. 07-17, Class IB, IO, 3.063s, 2037 | 821,521 | 43,562 |
| IFB Ser. 06-10, Class SM, IO, 3.063s, 2036 | 2,018,265 | 132,880 |
| IFB Ser. 06-14, Class S, IO, 3.063s, 2036 | 1,340,457 | 84,650 |
| IFB Ser. 05-57, Class PS, IO, 3.063s, 2035 | 1,445,233 | 86,154 |
| IFB Ser. 06-11, Class ST, IO, 3.053s, 2036 | 844,266 | 49,940 |
| IFB Ser. 07-27, Class SD, IO, 3.013s, 2037 | 956,830 | 55,650 |
| IFB Ser. 07-19, Class SJ, IO, 3.013s, 2037 | 1,692,245 | 92,686 |
| IFB Ser. 07-23, Class ST, IO, 3.013s, 2037 | 1,866,184 | 101,020 |
| IFB Ser. 07-9, Class CI, IO, 3.013s, 2037 | 2,359,895 | 133,719 |
| IFB Ser. 07-7, Class EI, IO, 3.013s, 2037 | 1,062,315 | 59,336 |

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|---|-----------|---------|
| IFB Ser. 07-7, Class JI, IO, 3.013s, 2037 | 2,445,094 | 134,480 |
| IFB Ser. 07-1, Class S, IO, 3.013s, 2037 | 2,202,039 | 121,055 |
| IFB Ser. 07-3, Class SA, IO, 3.013s, 2037 | 2,104,265 | 117,736 |
| IFB Ser. 05-17, Class S, IO, 2.993s, 2035 | 959,803 | 58,532 |
| IFB Ser. 05-3, Class SN, IO, 2.913s, 2035 | 4,477,819 | 270,943 |
| IFB Ser. 04-41, Class SG, IO, 2.813s, 2034 | 2,609,983 | 94,473 |
| FRB Ser. 07-71, Class TA, zero %, 2037 | 339,153 | 330,142 |
| FRB Ser. 07-71, Class UC, zero %, 2037 | 70,849 | 76,536 |
| FRB Ser. 07-61, Class YC, zero %, 2037 | 500,196 | 498,552 |
| FRB Ser. 07-33, Class TB, zero %, 2037 | 474,327 | 426,256 |
| FRB Ser. 07-6, Class TD, zero %, 2037 | 464,813 | 430,551 |
| FRB Ser. 98-2, Class EA, PO, zero %, 2028 | 55,273 | 47,053 |

| | | |
|---|-----------|-----------|
| GS Mortgage Securities Corp. II FRB Ser. 07-GG10, Class A3, 5.993s, 2045 | 334,000 | 314,307 |
| Ser. 06-GG6, Class A2, 5.506s, 2038 | 1,282,000 | 1,250,847 |

| | | |
|---|--------|-------|
| HASCO NIM Trust 144A Ser. 05-OP1A, Class A, 6 1/4s, 2035 (Cayman Islands) | 88,725 | 8,872 |
|---|--------|-------|

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| COLLATERALIZED MORTGAGE OBLIGATIONS (43.6%)* <i>cont.</i> | Principal amount | Value |
|---|---------------------|-------------|
| HSI Asset Loan Obligation FRB Ser. 07-AR1, Class 2A1, 6.133s, 2037 | \$3,541,771 | \$2,550,075 |
| IMPAC Secured Assets Corp. FRB Ser. 07-2, Class 1A1A, 3.317s, 2037 | 350,059 | 288,279 |

IndyMac Index Mortgage Loan Trust
FRB Ser. 06-AR25, Class 5A1,

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| | | |
|--|-----------|-----------|
| 6.313s, 2036 | 783,588 | 483,681 |
| FRB Ser. 07-AR15, Class 1A1, 6.225s, 2037 | 988,775 | 662,480 |
| FRB Ser. 07-AR9, Class 2A1, 6.039s, 2037 | 1,005,682 | 673,807 |
| FRB Ser. 07-AR11, Class 1A1, 5.64s, 2037 | 1,262,526 | 770,141 |
| FRB Ser. 05-AR31, Class 3A1, 5.633s, 2036 | 2,861,893 | 1,946,087 |

JPMorgan Alternative Loan Trust

| | | |
|---|-----------|---------|
| FRB Ser. 06-A1, Class 5A1, 5.94s, 2036 | 702,089 | 491,462 |
| FRB Ser. 06-A6, Class 1A1, 3.367s, 2036 ^F | 1,236,549 | 738,154 |

JPMorgan Chase Commercial Mortgage

Securities Corp.

| | | |
|---|------------|-----------|
| FRB Ser. 07-LD12, Class AM, 6.261s, 2051 | 617,000 | 506,810 |
| FRB Ser. 07-LD12, Class A3, 6.189s, 2051 | 2,956,000 | 2,770,334 |
| FRB Ser. 07-LD11, Class A3, 6.007s, 2049 | 417,000 | 372,673 |
| Ser. 07-CB20, Class A3, 5.863s, 2051 | 834,000 | 766,629 |
| Ser. 07-CB20, Class A4, 5.794s, 2051 | 541,000 | 475,404 |
| Ser. 08-C2, Class X, IO, 0.647s, 2051 | 30,106,482 | 776,145 |

JPMorgan Chase Commercial Mortgage

Securities Corp. 144A

| | | |
|---|------------|---------|
| Ser. 07-CB20, Class X1, IO, 0.068s, 2051 | 63,662,633 | 646,812 |
|---|------------|---------|

LB Commercial Conduit Mortgage

Trust 144A Ser. 99-C1, Class G,

| | | |
|-------------|---------|---------|
| 6.41s, 2031 | 253,101 | 198,279 |
|-------------|---------|---------|

LB-UBS Commercial

Mortgage Trust

| | | |
|---|------------|-----------|
| Ser. 07-C6, Class A2, 5.845s, 2012 | 921,000 | 864,855 |
| Ser. 07-C7, Class XW, IO, 0.526s, 2045 | 61,455,905 | 1,321,284 |

LB-UBS Commercial Mortgage Trust

144A Ser. 07-C7, Class XCL, IO,

| | | |
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| 0.086s, 2045 | 25,943,406 | 248,071 |
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|--|---------------------|-----------|
| Lehman Mortgage Trust IFB Ser. 07-5, Class 4A3, 20.839s, 2037 | 738,856 | 664,970 |
| IFB Ser. 07-5, Class 8A2, IO, 4.513s, 2036 | 1,279,932 | 114,222 |
| IFB Ser. 07-4, Class 3A2, IO, 3.993s, 2037 | 1,038,465 | 86,419 |
| IFB Ser. 06-5, Class 2A2, IO, 3.943s, 2036 | 1,839,386 | 133,356 |
| IFB Ser. 07-2, Class 2A13, IO, 3.483s, 2037 | 2,034,372 | 152,578 |
| IFB Ser. 06-9, Class 2A2, IO, 3.413s, 2037 | 2,354,549 | 184,114 |
| IFB Ser. 06-7, Class 2A4, IO, 3.343s, 2036 | 4,011,244 | 280,787 |
| COLLATERALIZED MORTGAGE OBLIGATIONS (43.6%)* <i>cont.</i> | Principal amount | Value |
| Lehman Mortgage Trust IFB Ser. 06-7, Class 2A5, IO, 3.343s, 2036 | \$3,763,615 | \$263,453 |
| IFB Ser. 06-6, Class 1A2, IO, 3.293s, 2036 | 1,578,085 | 110,466 |
| IFB Ser. 06-6, Class 1A3, IO, 3.293s, 2036 | 2,282,012 | 159,741 |
| Mach One Commercial Mortgage Trust 144A Ser. 04-1A, Class J, 5.45s, 2040 (Canada) | 594,000 | 267,300 |
| Ser. 04-1A, Class K, 5.45s, 2040 (Canada) | 212,000 | 84,800 |
| Ser. 04-1A, Class L, 5.45s, 2040 (Canada) | 96,000 | 36,480 |
| MASTR Alternative Loans Trust Ser. 06-3, Class 1A1, 6 1/4s, 2036 | 626,497 | 469,873 |
| Merrill Lynch Capital Funding Corp. Ser. 06-4, Class XC, IO, 0.119s, 2049 | 56,579,812 | 690,390 |
| Merrill Lynch Mortgage Investors, Inc. Ser. 96-C2, Class JS, IO, 2.261s, 2028 | 1,329,816 | 95,827 |
| Merrill Lynch Mortgage Trust FRB Ser. 07-C1, Class A3, 6.023s, 2050 | 222,000 | 211,675 |

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| | | |
|---|------------|-----------|
| Merrill Lynch/Countrywide Commercial Mortgage Trust FRB Ser. 07-8, Class A2, 6.119s, 2049 | 402,000 | 387,667 |
| Mezz Cap Commercial Mortgage Trust Ser. 07-C5, Class X, 4.867s, 2017 | 2,500,997 | 427,500 |
| Mezz Cap Commercial Mortgage Trust 144A Ser. 04-C1, Class X, IO, 8.007s, 2037 | 975,014 | 214,083 |
| Morgan Stanley Capital Ser. 98-CF1, Class E, 7.35s, 2032 | 1,252,000 | 1,245,420 |
| FRB Ser. 08-T29, Class A3, 6.458s, 2043 | 712,000 | 694,100 |
| FRB Ser. 07-IQ14, Class AM, 5.877s, 2049 | 247,000 | 195,908 |
| Morgan Stanley Capital I 144A FRB Ser. 04-RR, Class F7, 6s, 2039 | 1,730,000 | 951,500 |
| Ser. 07-HQ13, Class X1, IO, 0.822s, 2044 | 56,829,492 | 1,504,277 |
| Morgan Stanley Mortgage Loan Trust Ser. 05-5AR, Class 2A1, 4.852s, 2035 | 1,132,931 | 767,561 |
| Mortgage Capital Funding, Inc. FRB Ser. 98-MC2, Class E, 7.184s, 2030 | 327,112 | 327,359 |
| Ser. 97-MC2, Class X, IO, 1.988s, 2012 | 3,016 | □ |
| Permanent Financing PLC 144A FRB Ser. 9A, Class 3A, 2.917s, 2033 (United Kingdom) | 2,839,000 | 2,569,888 |
| Permanent Master Issuer PLC FRB Ser. 07-1, Class 4A, 2.871s, 2033 (United Kingdom) | 3,443,000 | 3,283,761 |
| PNC Mortgage Acceptance Corp. 144A Ser. 00-C1, Class J, 6 5/8s, 2010 | 123,000 | 72,244 |
| Residential Asset Securitization Trust Ser. 07-A5, Class 2A3, 6s, 2037 | 903,783 | 632,648 |
| IFB Ser. 07-A3, Class 2A2, IO, 3.483s, 2037 | 4,662,644 | 303,072 |

| COLLATERALIZED MORTGAGE OBLIGATIONS (43.6%)* <i>cont.</i> | | Principal amount | Value |
|---|-----|---------------------|-----------|
| Residential Mortgage Securities 144A FRB Ser. 20A, Class B1A, 6.509s, 2038 (United Kingdom) | GBP | 103,446 | \$110,369 |
| SBA CMBS Trust 144A Ser. 05-1A, Class E, 6.706s, 2035 | | \$303,000 | 255,468 |
| STRIPS 144A | | | |
| Ser. 03-1A, Class M, 5s, 2018 (Cayman Islands) | | 162,000 | 111,780 |
| Ser. 03-1A, Class N, 5s, 2018 (Cayman Islands) | | 193,000 | 125,450 |
| Ser. 04-1A, Class M, 5s, 2018 (Cayman Islands) | | 174,000 | 111,360 |
| Ser. 04-1A, Class N, 5s, 2018 (Cayman Islands) | | 167,000 | 96,860 |
| Structured Adjustable Rate Mortgage Loan Trust FRB Ser. 06-9, Class 1A1, 5.715s, 2036 | | 956,063 | 621,994 |
| Structured Asset Securities Corp. IFB Ser. 07-4, Class 1A3, IO, 2.541s, 2037 | | 3,593,605 | 220,108 |
| Ser. 07-4, Class 1A4, IO, 1s, 2037 | | 3,863,656 | 90,669 |
| Structured Asset Securities Corp. 144A Ser. 07-RF1, Class 1A, IO, 3.317s, 2037 | | 4,706,327 | 205,902 |
| Titan Europe PLC 144A FRB Ser. 05-CT2A, Class E, 7.095s, 2014 (Ireland) | GBP | 226,682 | 362,374 |
| FRB Ser. 05-CT1A, Class D, 7.095s, 2014 (Ireland) | GBP | 444,023 | 638,914 |
| URSUS EPC 144A FRB Ser. 1-A, Class D, 6.938s, 2012 (Ireland) | GBP | 239,636 | 374,487 |
| Wachovia Bank Commercial Mortgage Trust Ser. 07-C30, Class A3, 5.246s, 2043 | | \$5,030,000 | 4,645,077 |

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| Ser. 07-C34, IO, 0.521s, 2046 | 16,932,578 | 358,463 |
| <hr/> | | |
| Wachovia Bank Commercial Mortgage Trust 144A FRB Ser. 05-WL5A, Class L, 5.788s, 2018 | 477,000 | 429,300 |
| <hr/> | | |
| Wells Fargo Mortgage Backed Securities Trust Ser. 05-AR13, Class 1A4, IO, 0.742s, 2035 | 9,909,662 | 66,890 |
| <hr/> | | |
| Total collateralized mortgage obligations (cost \$175,088,876) | | \$170,959,903 |
| <hr/> | | |

| CORPORATE BONDS | Principal | |
|---|-----------|-----------|
| | amount | Value |
| AND NOTES (21.0%)* Basic Materials (1.6%) Builders FirstSource, Inc. company guaranty sr. sec. notes FRN 7.054s, 2012 | \$270,000 | \$174,150 |
| <hr/> | | |
| Compass Minerals International, Inc. sr. disc. notes Ser. B, 12s, 2013 | 142,000 | 146,970 |
| <hr/> | | |
| Domtar Corp. company guaranty Ser. *, 7 7/8s, 2011 (Canada) | 145,000 | 144,275 |
| <hr/> | | |
| Freeport-McMoRan Copper & Gold, Inc. sr. unsec. notes 8 3/8s, 2017 | 841,000 | 824,180 |
| <hr/> | | |
| Freeport-McMoRan Copper & Gold, Inc. sr. unsec. notes 8 1/4s, 2015 | 422,000 | 412,505 |
| <hr/> | | |

| CORPORATE BONDS | Principal | |
|--|-----------|-----------|
| AND NOTES (21.0%)* <i>cont.</i> | amount | Value |
| Basic Materials <i>cont.</i> Freeport-McMoRan Copper & Gold, Inc. sr. unsec. notes FRN 5.883s, 2015 | \$150,000 | \$142,687 |
| <hr/> | | |
| Georgia-Pacific Corp. debs. 9 1/2s, 2011 | 49,000 | 48,510 |

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| Georgia-Pacific Corp. notes 8 1/8s, 2011 | | 55,000 | 54,450 |
| Gerdau Ameristeel Corp. sr. notes 10 3/8s, 2011 (Canada) | | 358,000 | 369,635 |
| Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, ULC company guaranty 9 3/4s, 2014 | | 64,000 | 50,560 |
| Huntsman International, LLC company guaranty sr. unsec. sub. notes 7 7/8s, 2014 | | 921,000 | 792,060 |
| Momentive Performance Materials, Inc. company guaranty sr. unsec. notes 9 3/4s, 2014 | | 262,000 | 206,980 |
| Mosaic Co. (The) 144A sr. unsec. unsub. notes 7 5/8s, 2016 | | 224,000 | 228,867 |
| Mosaic Co. (The) 144A sr. unsec. unsub. notes 7 3/8s, 2014 | | 136,000 | 140,797 |
| NewPage Corp. company guaranty 10s, 2012 | | 376,000 | 336,520 |
| NewPage Holding Corp. sr. notes FRN 9.986s, 2013 ☐☐ | | 78,868 | 69,798 |
| Norske Skog Canada, Ltd. company guaranty Ser. D, 8 5/8s, 2011 (Canada) | | 15,000 | 11,850 |
| Novelis, Inc. company guaranty 7 1/4s, 2015 | | 113,000 | 98,310 |
| Rhodia SA sr. unsec. FRN 7.713s, 2013 (France) | EUR | 375,000 | 484,474 |
| Rockwood Specialties Group, Inc. company guaranty 7 5/8s, 2014 | EUR | 250,000 | 315,238 |
| Steel Dynamics, Inc. company guaranty sr. unsec. unsub. notes 6 3/4s, 2015 | | \$830,000 | 713,800 |
| Steel Dynamics, Inc. 144A sr. notes 7 3/4s, 2016 | | 164,000 | 145,960 |

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|--|-----|-------------|-----------|
| Stone Container Corp. sr. notes 8 3/8s, 2012 | | 240,000 | 201,600 |
| | | | 6,114,176 |
| Capital Goods (1.2%) Alliant Techsystems, Inc. sr. sub. notes 6 3/4s, 2016 | | 104,000 | 97,240 |
| Berry Plastics Corp. company guaranty sr. sec. notes FRN 7.541s, 2015 | | 680,000 | 605,200 |
| Bombardier, Inc. 144A sr. unsec. notes FRN 8.09s, 2013 (Canada) | EUR | 170,000 | 236,983 |
| Bombardier, Inc. 144A unsec. notes 6 3/4s, 2012 (Canada) | | \$1,625,000 | 1,560,000 |
| Crown Americas, LLC/Crown Americas Capital Corp. sr. notes 7 5/8s, 2013 | | 516,000 | 508,260 |
| General Cable Corp. company guaranty sr. unsec. notes FRN 5.166s, 2015 | | 190,000 | 159,600 |
| Hawker Beechcraft Acquisition Co., LLC sr. sub. notes 9 3/4s, 2017 | | 227,000 | 203,165 |

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| CORPORATE BONDS AND NOTES (21.0%)* <i>cont.</i> | Principal amount | Value |
|--|---------------------|----------|
| Capital Goods <i>cont.</i> Hexcel Corp. sr. sub. notes 6 3/4s, 2015 | \$67,000 | \$64,320 |
| L-3 Communications Corp. company guaranty sr. unsec. sub. notes 6 1/8s, 2014 | 607,000 | 561,475 |
| L-3 Communications Corp. sr. sub. notes 5 7/8s, 2015 | 574,000 | 519,470 |
| Ryerson Tull, Inc. 144A sec. notes 12s, 2015 | 409,000 | 347,650 |

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| | | 4,863,363 |
| Communication Services (1.7%) | | |
| American Tower Corp. 144A sr. notes 7s, 2017 | 390,000 | 372,450 |
| Cincinnati Bell, Inc. company guaranty 7s, 2015 | 578,000 | 485,520 |
| Cricket Communications, Inc. company guaranty sr. unsec. notes Ser. *, 9 3/8s, 2014 | 435,000 | 404,550 |
| Cricket Communications, Inc. 144A company guaranty sr. notes 10s, 2015 | 354,000 | 338,070 |
| Digicel Group, Ltd. 144A sr. unsec. notes 8 7/8s, 2015 (Jamaica) | 245,000 | 205,800 |
| Digicel, Ltd. 144A sr. unsec. unsub. notes 9 1/4s, 2012 (Jamaica) | 170,000 | 168,300 |
| Inmarsat Finance PLC company guaranty stepped-coupon zero % (10 3/8s, 11/15/08), 2012 (United Kingdom) ☐☐ | 768,000 | 756,480 |
| iPCS, Inc. company guaranty sr. sec. notes FRN 4.926s, 2013 | 140,000 | 114,100 |
| MetroPCS Wireless, Inc. company guaranty sr. unsec. notes 9 1/4s, 2014 | 90,000 | 84,150 |
| PAETEC Holding Corp. company guaranty sr. unsec. unsub. notes 9 1/2s, 2015 | 150,000 | 102,750 |
| Qwest Communications International, Inc. company guaranty 7 1/2s, 2014 | 353,000 | 305,345 |
| Qwest Corp. sr. unsec. notes 7 1/2s, 2014 | 75,000 | 64,875 |
| Qwest Corp. sr. unsec. unsub. notes 8 7/8s, 2012 | 1,501,000 | 1,470,980 |
| West Corp. company guaranty 9 1/2s, 2014 | 129,000 | 98,685 |

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| Wind Aquisition Finance SA notes 9 3/4s, 2015 (Netherlands) | EUR | 1,190,000 | 1,534,048 |
| | | | 6,506,103 |
| Consumer Cyclicals (3.0%) Allison Transmission 144A company guaranty 11s, 2015 | | \$75,000 | 65,250 |
| Bon-Ton Stores, Inc. (The) company guaranty 10 1/4s, 2014 | | 160,000 | 48,000 |
| Boyd Gaming Corp. sr. sub. notes 6 3/4s, 2014 | | 134,000 | 96,145 |
| CanWest Media, Inc. company guaranty 8s, 2012 (Canada) | | 337,021 | 281,413 |
| Cenveo Corp. 144A company guaranty sr. unsec. notes 10 1/2s, 2016 | | 235,000 | 217,375 |
| CORPORATE BONDS AND NOTES (21.0%)* <i>cont.</i> | | Principal amount | Value |
| Consumer Cyclicals <i>cont.</i> D.R. Horton, Inc. company guaranty 8s, 2009 | | \$183,000 | \$180,026 |
| D.R. Horton, Inc. company guaranty sr. unsub. notes 5s, 2009 | | 253,000 | 246,675 |
| D.R. Horton, Inc. sr. notes 7 7/8s, 2011 | | 765,000 | 688,500 |
| FelCor Lodging LP company guaranty 8 1/2s, 2011 R | | 515,000 | 445,475 |
| Ford Motor Credit Co., LLC sr. notes 9 7/8s, 2011 | | 621,000 | 414,759 |
| Ford Motor Credit Co., LLC sr. unsec. notes 9 3/4s, 2010 | | 444,000 | 333,207 |
| Ford Motor Credit Co., LLC unsec. notes 7 3/8s, 2009 | | 195,000 | 156,773 |
| Hanesbrands, Inc. company guaranty sr. unsec. notes FRN | | | |

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| Ser. B, 6.508s, 2014 | 310,000 | 257,300 |
| Host Marriott LP sr. notes Ser. M, 7s, 2012 R | 725,000 | 647,063 |
| Jostens IH Corp. company guaranty 7 5/8s, 2012 | 600,000 | 550,500 |
| K. Hovnanian Enterprises, Inc. company guaranty sr. sec. notes 11 1/2s, 2013 | 187,000 | 183,260 |
| Lamar Media Corp. sr. unsec. sub. notes Ser. C, 6 5/8s, 2015 | 165,000 | 136,538 |
| Levi Strauss & Co. sr. unsec. notes 8 7/8s, 2016 S | 285,000 | 228,000 |
| Levi Strauss & Co. sr. unsec. unsub. notes 9 3/4s, 2015 | 651,000 | 543,585 |
| Mashantucket Western Pequot Tribe 144A bonds 8 1/2s, 2015 | 390,000 | 253,500 |
| Meritage Homes Corp. company guaranty 6 1/4s, 2015 | 140,000 | 104,300 |
| Meritage Homes Corp. sr. notes 7s, 2014 | 45,000 | 34,650 |
| MGM Mirage, Inc. company guaranty 8 1/2s, 2010 | 468,000 | 430,560 |
| MGM Mirage, Inc. company guaranty 6s, 2009 | 1,009,000 | 943,415 |
| NTK Holdings, Inc. sr. disc. notes zero %, 2014 | 104,000 | 44,720 |
| Oxford Industries, Inc. sr. notes 8 7/8s, 2011 | 460,000 | 415,725 |
| Pinnacle Entertainment, Inc. company guaranty sr. unsec. sub. notes 7 1/2s, 2015 | 320,000 | 236,800 |
| Pinnacle Entertainment, Inc. sr. sub. notes 8 1/4s, 2012 | 337,000 | 325,626 |
| Pulte Homes, Inc. company | | |

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| guaranty 7 7/8s, 2011 | 730,000 | 697,150 |
| <hr/> | | |
| Quebecor Media, Inc. sr. unsec. notes Ser. *, 7 3/4s, 2016 (Canada) | 75,000 | 65,625 |
| <hr/> | | |
| Realogy Corp. company guaranty sr. notes zero %, 2014 R | 120,000 | 45,900 |
| <hr/> | | |
| Realogy Corp. company guaranty sr. unsec. notes 10 1/2s, 2014 R | 195,000 | 85,800 |
| <hr/> | | |
| Sealy Mattress Co. sr. sub. notes 8 1/4s, 2014 | 75,000 | 58,875 |
| <hr/> | | |

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| CORPORATE BONDS AND NOTES (21.0%)* <i>cont.</i> | Principal amount | Value |
|---|---------------------|-----------|
| <hr/> | | |
| Consumer Cyclicals <i>cont.</i> Station Casinos, Inc. sr. notes 6s, 2012 S | \$318,000 | \$178,080 |
| <hr/> | | |
| Tenneco Automotive, Inc. company guaranty 8 5/8s, 2014 | 40,000 | 31,800 |
| <hr/> | | |
| Tenneco, Inc. sr. unsec. notes company guaranty 8 1/8s, 2015 | 375,000 | 320,625 |
| <hr/> | | |
| Texas Industries, Inc. sr. unsec. notes 7 1/4s, 2013 | 361,000 | 314,070 |
| <hr/> | | |
| Texas Industries, Inc. 144A company guaranty sr. unsec. notes 7 1/4s, 2013 | 255,000 | 221,850 |
| <hr/> | | |
| THL Buildco, Inc. (Nortek Holdings, Inc.) sr. sub. notes 8 1/2s, 2014 | 255,000 | 145,350 |
| <hr/> | | |
| THL Buildco, Inc. (Nortek Holdings, Inc.) 144A sr. sec. notes 10s, 2013 | 115,000 | 101,200 |
| <hr/> | | |
| Toll Brothers, Inc. company guaranty sr. unsec. sub. notes 8 1/4s, 2011 | 625,000 | 603,125 |

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|---|-----------|------------|
| Trump Entertainment Resorts, Inc. sec. notes 8 1/2s, 2015 | 220,000 | 90,200 |
| Vertis, Inc. company guaranty Ser. B, 10 7/8s, 2009 (In default) | 661,000 | 19,830 |
| Vertis, Inc. 144A unsec. sub. notes 13 1/2s, 2009 (In default) | 170,000 | 1,700 |
| Wynn Las Vegas, LLC/Wynn Las Vegas Capital Corp. 1st mtge. 6 5/8s, 2014 | 555,000 | 473,138 |
| | | 11,963,458 |
| Consumer Staples (2.6%) Affinity Group, Inc. sr. sub. notes 9s, 2012 | 545,000 | 403,300 |
| AMC Entertainment, Inc. company guaranty 11s, 2016 | 251,000 | 247,235 |
| AMC Entertainment, Inc. sr. sub. notes 8s, 2014 | 205,000 | 176,300 |
| Archibald Candy Corp. company guaranty 10s, 2008 (In default) ^F □ | 90,153 | 13 |
| Avis Budget Car Rental, LLC company guaranty 7 3/4s, 2016 | 285,000 | 178,125 |
| CCH I Holdings, LLC company guaranty 12 1/8s, 2015 | 8,000 | 2,840 |
| CCH II, LLC sr. unsec. notes 10 1/4s, 2010 | 238,000 | 214,200 |
| CCH II, LLC sr. unsec. notes Ser. B, 10 1/4s, 2010 | 1,099,000 | 983,605 |
| Church & Dwight Co., Inc. company guaranty 6s, 2012 | 444,000 | 419,580 |
| Cinemark, Inc. sr. disc. notes stepped-coupon zero % (9 3/4s, 3/15/09), 2014 □□ | 500,000 | 480,625 |
| Clear Channel Communications, Inc. sr. unsec. notes 7.65s, 2010 | 556,000 | 500,400 |

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| Clear Channel Communications, Inc. sr. unsec. notes 5 1/2s, 2014 | 58,000 | 17,980 |
| CSC Holdings, Inc. sr. notes 6 3/4s, 2012 | 543,000 | 497,524 |
| Dean Foods Co. company guaranty 7s, 2016 | 134,000 | 116,580 |
| CORPORATE BONDS AND NOTES (21.0%)* <i>cont.</i> | Principal amount | Value |
| Consumer Staples <i>cont.</i> Del Monte Corp. sr. sub. notes 8 5/8s, 2012 | \$560,000 | \$554,400 |
| DirecTV Holdings, LLC company guaranty 6 3/8s, 2015 | 938,000 | 825,440 |
| DirecTV Holdings, LLC 144A sr. notes 7 5/8s, 2016 | 117,000 | 105,885 |
| Echostar DBS Corp. company guaranty 6 5/8s, 2014 | 2,119,000 | 1,700,498 |
| Grupo Televisa SA sr. unsec. notes 6s, 2018 (Mexico) | 460,000 | 434,135 |
| Liberty Media, LLC sr. notes 5.7s, 2013 | 138,000 | 114,777 |
| Liberty Media, LLC sr. unsec. notes 7 7/8s, 2009 | 169,000 | 169,525 |
| Nielsen Finance LLC/Nielsen Finance Co. company guaranty 10s, 2014 | 186,000 | 176,700 |
| Nielsen Finance LLC/Nielsen Finance Co. company guaranty stepped-coupon zero % (12 1/2s, 8/1/11), 2016 ☐☐ | 360,000 | 234,000 |
| Prestige Brands, Inc. sr. sub. notes 9 1/4s, 2012 | 371,000 | 352,450 |
| Rainbow National Services, LLC 144A sr. notes 8 3/4s, 2012 | 383,000 | 383,000 |
| Rite Aid Corp. company | | |

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| guaranty 9 3/8s, 2015 | 277,000 | 145,425 |
| <hr/> | | |
| Rite Aid Corp. sec. notes 7 1/2s, 2017 | 315,000 | 239,400 |
| <hr/> | | |
| Sara Lee Corp. sr. unsec. unsub. notes 6 1/4s, 2011 | 300,000 | 302,511 |
| <hr/> | | |
| United Rentals NA, Inc. company guaranty 6 1/2s, 2012 | 355,000 | 296,425 |
| <hr/> | | |
| Young Broadcasting, Inc. company guaranty 10s, 2011 | 239,000 | 34,655 |
| <hr/> | | |
| Young Broadcasting, Inc. sr. sub. notes 8 3/4s, 2014 | 83,000 | 12,450 |
| <hr/> | | |
| | | 10,319,983 |
| Energy (2.5%) Arch Western Finance, LLC sr. notes 6 3/4s, 2013 | 1,347,000 | 1,266,180 |
| <hr/> | | |
| Chaparral Energy, Inc. company guaranty sr. unsec. notes 8 7/8s, 2017 | 320,000 | 252,800 |
| <hr/> | | |
| Chesapeake Energy Corp. sr. notes 7 1/2s, 2013 | 1,031,000 | 997,493 |
| <hr/> | | |
| Chesapeake Energy Corp. sr. notes 7s, 2014 | 279,000 | 260,865 |
| <hr/> | | |
| Complete Production Services, Inc. company guaranty 8s, 2016 | 515,000 | 489,250 |
| <hr/> | | |
| Comstock Resources, Inc. sr. notes 6 7/8s, 2012 | 510,000 | 461,550 |
| <hr/> | | |
| Connacher Oil and Gas, Ltd. 144A sec. notes 10 1/4s, 2015 (Canada) | 210,000 | 201,600 |
| <hr/> | | |
| Denbury Resources, Inc. sr. sub. notes 7 1/2s, 2015 | 315,000 | 289,800 |
| <hr/> | | |
| Forest Oil Corp. sr. notes 8s, 2011 | 540,000 | 540,000 |
| <hr/> | | |
| Gaz Capital SA 144A company guaranty sr. unsec. bond 8.146s, 2018 (Luxembourg) | 176,000 | 156,343 |
| <hr/> | | |
| Gaz Capital SA 144A company guaranty sr. unsec. bond 7.343s, | | |

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| 2013 (Luxembourg) | 166,000 | 153,299 |
|-------------------|---------|---------|

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| CORPORATE BONDS AND NOTES (21.0%)* <i>cont.</i> | Principal amount | Value |
|---|---------------------|-----------|
| <i>Energy cont.</i> | | |
| Harvest Operations Corp. sr. notes 7 7/8s, 2011 (Canada) | \$584,000 | \$473,040 |
| Helix Energy Solutions Group, Inc. 144A sr. unsec. notes 9 1/2s, 2016 | 390,000 | 364,650 |
| Hornbeck Offshore Services, Inc. sr. notes Ser. B, 6 1/8s, 2014 | 517,000 | 471,763 |
| Key Energy Services, Inc. 144A sr. notes 8 3/8s, 2014 | 180,000 | 172,800 |
| Lukoil International Finance 144A company guaranty 6.356s, 2017 (Netherlands) | 420,000 | 319,200 |
| Newfield Exploration Co. sr. sub. notes 6 5/8s, 2014 | 348,000 | 313,200 |
| Offshore Logistics, Inc. company guaranty 6 1/8s, 2013 | 295,000 | 264,025 |
| Oslo Seismic Services, Inc. 1st mtge. 8.28s, 2011 | 314,176 | 325,590 |
| Pacific Energy Partners/Pacific Energy Finance Corp. sr. notes 7 1/8s, 2014 | 355,000 | 348,912 |
| Pemex Finance, Ltd. bonds 9.69s, 2009 (Cayman Islands) | 203,000 | 207,045 |
| PetroHawk Energy Corp. company guaranty 9 1/8s, 2013 | 169,000 | 158,860 |
| PetroHawk Energy Corp. 144A sr. unsec. unsub. notes 7 7/8s, 2015 | 140,000 | 121,800 |
| Petroleum Development Corp. company guaranty sr. unsec. | | |

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| notes 12s, 2018 | | 215,000 | 206,400 |
| <hr/> | | | |
| Petroplus Finance, Ltd. company guaranty 6 3/4s, 2014 (Bermuda) | | 355,000 | 299,975 |
| <hr/> | | | |
| Plains Exploration & Production Co. company guaranty 7 3/4s, 2015 | | 70,000 | 64,400 |
| <hr/> | | | |
| Plains Exploration & Production Co. company guaranty 7s, 2017 | | 80,000 | 69,600 |
| <hr/> | | | |
| Pride International, Inc. sr. unsec. notes 7 3/8s, 2014 | | 451,000 | 430,705 |
| <hr/> | | | |
| SandRidge Energy, Inc. sr. notes 8s, 2018 | | 310,000 | 266,600 |
| <hr/> | | | |
| Williams Cos., Inc. (The) sr. unsec. notes 8 1/8s, 2012 | | 150,000 | 151,548 |
| <hr/> | | | |
| | | | 10,099,293 |
| Financial (4.0%) Banco Do Brasil 144A sr. unsec. 5.862s, 2017 (Cayman Islands) | BRL | 536,000 | 223,762 |
| <hr/> | | | |
| Bear Stearns Cos., Inc. (The) notes Ser. MTN, 6.95s, 2012 | | \$1,205,000 | 1,217,199 |
| <hr/> | | | |
| Bosphorus Financial Services, Ltd. 144A sec. sr. notes FRN 4.604s, 2012 (Cayman Islands) | | 1,264,375 | 1,220,520 |
| <hr/> | | | |
| GMAC, LLC sr. unsec. unsub. notes 7 3/4s, 2010 | | 90,000 | 53,889 |
| <hr/> | | | |
| GMAC, LLC sr. unsec. unsub. notes 7s, 2012 | | 40,000 | 17,200 |
| <hr/> | | | |
| GMAC, LLC sr. unsec. unsub. notes 6 7/8s, 2012 | | 637,000 | 253,193 |
| <hr/> | | | |
| CORPORATE BONDS AND NOTES (21.0%)* <i>cont.</i> | | Principal amount | Value |
| <hr/> | | | |
| Financial <i>cont.</i> GMAC, LLC sr. unsec. unsub. notes 6 7/8s, 2011 | | \$85,000 | \$37,926 |

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| GMAC, LLC sr. unsec. unsub. notes 6 3/4s, 2014 | | 725,000 | 278,265 |
| GMAC, LLC sr. unsec. unsub. notes 6 5/8s, 2012 S | | 810,000 | 340,200 |
| GMAC, LLC sr. unsec. unsub. notes FRN 5.011s, 2014 | | 64,000 | 29,032 |
| HUB International Holdings, Inc. 144A sr. sub. notes 10 1/4s, 2015 | | 95,000 | 75,050 |
| HUB International Holdings, Inc. 144A sr. unsec. unsub. notes 9s, 2014 | | 65,000 | 57,850 |
| iStar Financial, Inc. sr. unsec. notes Ser. B, 4 7/8s, 2009 R | | 100,000 | 60,000 |
| JPMorgan Chase & Co. 144A sr. unsec. FRN 6.46s, 2017 | | 1,000,000 | 892,900 |
| JPMorgan Chase & Co. 144A sr. unsec. notes FRN 9.34s, 2011 | RUB | 32,000,000 | 1,246,720 |
| JPMorgan Chase & Co. 144A unsec. unsub. notes 0.18s, 2012 | INR | 19,000,000 | 427,257 |
| Lender Processing Services, Inc. 144A sr. unsec. notes 8 1/8s, 2016 | | \$795,000 | 775,125 |
| Leucadia National Corp. sr. unsec. notes 8 1/8s, 2015 | | 100,000 | 97,250 |
| Leucadia National Corp. sr. unsec. notes 7 1/8s, 2017 | | 252,000 | 229,320 |
| Merrill Lynch & Co., Inc. notes 5.45s, 2013 | | 840,000 | 736,555 |
| Merrill Lynch & Co., Inc. notes FRN Ser. MTN, 3s, 2011 | | 365,000 | 315,383 |
| Morgan Stanley sr. unsec. bonds 6.066s, 2017 | BRL | 1,850,000 | 556,449 |
| Nuveen Investments, Inc. 144A sr. notes 10 1/2s, 2015 | | \$194,000 | 149,380 |
| RSHB Capital SA for OJSC Russian | | | |

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| Agricultural Bank notes 6.299s, 2017 (Luxembourg) | 675,000 | 481,883 |
| RSHB Capital SA for OJSC Russian Agricultural Bank sub. bonds FRB 6.97s, 2016 (Luxembourg) | 250,000 | 209,990 |
| UBS Luxembourg SA for Sberbank unsec. sub. notes stepped-coupon 6.23s (7.429s, 2/11/10), 2015 (Luxembourg) ☐☐ | 1,400,000 | 1,259,958 |
| USI Holdings Corp. 144A sr. unsec. notes FRN 6.679s, 2014 | 60,000 | 45,600 |
| VTB Capital unsec. sub. notes FRN 6.315s, 2015 (Luxembourg) | 1,090,000 | 1,063,404 |
| VTB Capital SA 144A notes 7 1/2s, 2011 (Luxembourg) | 3,010,000 | 2,612,891 |
| VTB Capital SA 144A sec. notes 6.609s, 2012 (Luxembourg) | 940,000 | 780,285 |
| | | 15,744,436 |
| Health Care (1.8%) Community Health Systems, Inc. company guaranty 8 7/8s, 2015 | 665,000 | 631,750 |
| DaVita, Inc. company guaranty 6 5/8s, 2013 | 153,000 | 145,350 |

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| CORPORATE BONDS AND NOTES (21.0%)* <i>cont.</i> | Principal amount | Value |
|---|---------------------|-----------|
| Health Care <i>cont.</i> Elan Finance PLC/Elan Finance Corp. company guaranty 7 3/4s, 2011 (Ireland) | \$205,000 | \$189,369 |
| HCA, Inc. company guaranty sr. sec. notes 9 5/8s, 2016 ☐☐ | 268,000 | 254,600 |
| HCA, Inc. sr. sec. notes 9 1/4s, 2016 | 645,000 | 627,263 |

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| | | |
|---|---------|-----------|
| HCA, Inc. sr. sec. notes 9 1/8s, 2014 | 282,000 | 274,245 |
| <hr/> | | |
| HCA, Inc. sr. unsec. notes 6 3/8s, 2015 | 212,000 | 166,950 |
| <hr/> | | |
| HCA, Inc. sr. unsec. notes 5 3/4s, 2014 | 260,000 | 202,800 |
| <hr/> | | |
| Omnicare, Inc. company guaranty 6 3/4s, 2013 | 195,000 | 176,963 |
| <hr/> | | |
| Omnicare, Inc. sr. sub. notes 6 1/8s, 2013 | 545,000 | 489,138 |
| <hr/> | | |
| Select Medical Corp. company guaranty 7 5/8s, 2015 | 547,000 | 443,070 |
| <hr/> | | |
| Stewart Enterprises, Inc. sr. notes 6 1/4s, 2013 | 724,000 | 680,560 |
| <hr/> | | |
| Surgical Care Affiliates, Inc. 144A sr. sub. notes 10s, 2017 | 300,000 | 225,000 |
| <hr/> | | |
| Surgical Care Affiliates, Inc. 144A sr. unsec. notes 8 7/8s, 2015 ☐☐ | 110,000 | 95,700 |
| <hr/> | | |
| Tenet Healthcare Corp. notes 7 3/8s, 2013 | 390,000 | 354,900 |
| <hr/> | | |
| Tenet Healthcare Corp. sr. unsec. unsub. notes 6 3/8s, 2011 | 571,000 | 526,748 |
| <hr/> | | |
| US Oncology, Inc. company guaranty 9s, 2012 | 485,000 | 485,000 |
| <hr/> | | |
| Vanguard Health Holding Co. II, LLC sr. sub. notes 9s, 2014 | 491,000 | 473,815 |
| <hr/> | | |
| Ventas Realty LP/Capital Corp. company guaranty 9s, 2012 R | 305,000 | 317,963 |
| <hr/> | | |
| Ventas Realty LP/Capital Corp. company guaranty 6 3/4s, 2010 R | 201,000 | 199,995 |
| <hr/> | | |
| Ventas Realty LP/Capital Corp. sr. notes 6 5/8s, 2014 R | 173,000 | 166,080 |
| <hr/> | | |
| | | 7,127,259 |
| Technology (1.2%) Advanced Micro Devices, Inc. sr. notes 7 3/4s, 2012 | 334,000 | 257,180 |
| <hr/> | | |

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|---|---------------------|-----------|
| Ceridian Corp. 144A sr. unsec. notes 11 1/4s, 2015 | 275,000 | 226,875 |
| Compucom Systems, Inc. sr. sub. notes 12 1/2s, 2015 | 155,000 | 137,950 |
| Freescale Semiconductor, Inc. company guaranty sr. unsec. notes 8 7/8s, 2014 | 552,000 | 380,880 |
| Freescale Semiconductor, Inc. company guaranty sr. unsec. sub. notes 10 1/8s, 2016 ^S | 384,000 | 245,760 |
| Freescale Semiconductor, Inc. company guaranty sr. unsec. sub. notes 9 1/8s, 2014 □□ | 383,000 | 241,290 |
| Iron Mountain, Inc. company guaranty 8 5/8s, 2013 | 700,000 | 693,000 |
| Iron Mountain, Inc. company guaranty sr. unsec. sub. notes 8s, 2020 | 470,000 | 457,075 |
| New ASAT Finance, Ltd. company guaranty 9 1/4s, 2011 (Cayman Islands) | 13,000 | 7,816 |
| CORPORATE BONDS AND NOTES (21.0%)* <i>cont.</i> | Principal amount | Value |
| Technology <i>cont.</i> Nortel Networks, Ltd. company guaranty sr. unsec. notes 10 3/4s, 2016 (Canada) | \$215,000 | \$131,688 |
| Nortel Networks, Ltd. company guaranty sr. unsec. notes FRN 7.041s, 2011 (Canada) | 235,000 | 156,863 |
| Nortel Networks, Ltd. 144A sr. unsec. notes company guaranty 10 3/4s, 2016 (Canada) | 420,000 | 257,250 |
| Sanmina Corp. company guaranty sr. unsec. sub. notes 6 3/4s, 2013 | 239,000 | 209,125 |

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|---|-----|-----------|-----------|
| Sanmina Corp. sr. unsec. sub. notes 8 1/8s, 2016 | | 372,000 | 316,200 |
| SunGard Data Systems, Inc. company guaranty 9 1/8s, 2013 | | 340,000 | 306,000 |
| Travelport LLC company guaranty 9 7/8s, 2014 | | 166,000 | 135,290 |
| Unisys Corp. sr. unsec. unsub. notes 12 1/2s, 2016 | | 219,000 | 208,050 |
| Xerox Corp. sr. notes 9 3/4s, 2009 | EUR | 140,000 | 199,267 |
| | | | 4,567,559 |
| Utilities & Power (1.3%) AES Corp. (The) sr. unsec. unsub. notes 8s, 2017 | | \$130,000 | 117,325 |
| AES Corp. (The) 144A sec. notes 8 3/4s, 2013 | | 235,000 | 237,350 |
| CMS Energy Corp. sr. notes 7 3/4s, 2010 | | 180,000 | 185,724 |
| Edison Mission Energy sr. unsec. notes 7 3/4s, 2016 | | 151,000 | 141,940 |
| Edison Mission Energy sr. unsec. notes 7 1/2s, 2013 | | 172,000 | 165,120 |
| Edison Mission Energy sr. unsec. notes 7.2s, 2019 | | 275,000 | 242,000 |
| Edison Mission Energy sr. unsec. notes 7s, 2017 | | 195,000 | 175,500 |
| Ferrellgas LP/Finance sr. notes 6 3/4s, 2014 | | 520,000 | 423,800 |
| Florida Power Corp. 1st mtge. sec. bonds 5.65s, 2018 | | 75,000 | 71,729 |
| Ipalco Enterprises, Inc. 144A sr. sec. notes 7 1/4s, 2016 | | 115,000 | 109,825 |
| Kinder Morgan, Inc. sr. notes 6 1/2s, 2012 | | 1,589,000 | 1,529,413 |

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| NRG Energy, Inc. sr. notes 7 3/8s, 2016 | 235,000 | 211,500 |
| <hr/> | | |
| Orion Power Holdings, Inc. sr. unsec. notes 12s, 2010 | 655,000 | 635,350 |
| <hr/> | | |
| PNM Resources, Inc. unsec. unsub. notes 9 1/4s, 2015 | 224,000 | 220,640 |
| <hr/> | | |
| Teco Finance, Inc. company guaranty sr. unsec. unsub. notes 7.2s, 2011 | 185,000 | 188,523 |
| <hr/> | | |
| Teco Finance, Inc. company guaranty sr. unsec. unsub. notes 7s, 2012 | 280,000 | 284,599 |
| <hr/> | | |
| Teco Finance, Inc. company guaranty sr. unsec. unsub. notes 6 3/4s, 2015 | 32,000 | 30,649 |
| <hr/> | | |

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| CORPORATE BONDS AND NOTES (21.0%)* <i>cont.</i> | Principal amount | Value |
|---|---------------------|--------------|
| <hr/> | | |
| <i>Utilities & Power cont.</i> | | |
| Utilicorp United, Inc. sr. unsec. notes 7.95s, 2011 | \$18,000 | \$18,638 |
| <hr/> | | |
| Williams Partners LP/ Williams Partners Finance Corp. sr. unsec. notes 7 1/4s, 2017 | 145,000 | 134,850 |
| <hr/> | | |
| | | 5,124,475 |
| Total corporate bonds and notes (cost \$95,407,615) | | \$82,430,105 |

| ASSET-BACKED SECURITIES (13.8%)* | Principal amount | Value |
|---|---------------------|----------|
| <hr/> | | |
| Accredited Mortgage Loan Trust FRB Ser. 05-1, Class M2, 3.897s, 2035 | \$160,000 | \$68,800 |
| FRB Ser. 05-4, Class A2C, 3.417s, 2035 | 34,000 | 31,280 |
| <hr/> | | |

Ace Securities Corp.
FRB Ser. 06-OP2, Class A2C,

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| | | |
|---|---------|---------|
| 3.357s, 2036 | 107,000 | 59,385 |
| FRB Ser. 06-HE3, Class A2C, 3.357s, 2036 | 115,000 | 68,034 |
| <hr/> | | |
| Ameritrust Mortgage Securities, Inc. FRB Ser. 03-8, Class M2, 4.957s, 2033 | 216,523 | 43,305 |
| <hr/> | | |
| Arcap REIT, Inc. 144A Ser. 03-1A, Class E, 7.11s, 2038 | 383,000 | 288,942 |
| Ser. 04-1A, Class E, 6.42s, 2039 | 361,000 | 231,823 |
| <hr/> | | |
| Argent Securities, Inc. FRB Ser. 03-W3, Class M3, 5.477s, 2033 | 24,453 | 2,934 |
| FRB Ser. 06-W4, Class A2C, 3.367s, 2036 | 204,000 | 123,420 |
| <hr/> | | |
| Asset Backed Funding Certificates FRB Ser. 04-OPT2, Class M2, 4.207s, 2033 | 225,692 | 103,818 |
| FRB Ser. 05-WMC1, Class M1, 3.647s, 2035 | 31,000 | 23,250 |
| <hr/> | | |
| Asset Backed Securities Corp. Home Equity Loan Trust FRB Ser. 06-HE2, Class A3, 3.397s, 2036 | 40,157 | 29,712 |
| FRB Ser. 06-HE4, Class A5, 3.367s, 2036 | 148,000 | 119,880 |
| <hr/> | | |
| Aviation Capital Group Trust 144A FRB Ser. 03-2A, Class G1, 3.888s, 2033 | 248,256 | 124,128 |
| <hr/> | | |
| Bear Stearns Asset Backed Securities, Inc. FRB Ser. 04-FR3, Class M6, 6.457s, 2034 | 286,000 | 169,470 |
| FRB Ser. 06-PC1, Class M9, 4.957s, 2035 | 185,000 | 1,850 |
| FRB Ser. 05-HE1, Class M3, 4.137s, 2035 | 223,000 | 64,670 |
| <hr/> | | |
| Bear Stearns Asset Backed Securities, Inc. 144A FRB Ser. 06-HE2, Class M10, 5.457s, 2036 | 270,000 | 7,732 |
| <hr/> | | |
| Bombardier Capital Mortgage Securitization Corp. Ser. 00-A, Class A4, 8.29s, 2030 | 492,293 | 315,740 |

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|--|-----------|---------|
| Ser. 00-A, Class A2, 7.575s, 2030 | 1,309,038 | 714,508 |
| Ser. 99-B, Class A4, 7.3s, 2016 | 647,669 | 395,979 |
| Ser. 99-B, Class A3, 7.18s, 2015 | 1,089,965 | 660,449 |
| FRB Ser. 00-A, Class A1, 2.648s, 2030 | 141,606 | 66,721 |

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|--|---------------------|-------|
| ASSET-BACKED SECURITIES (13.8%)* <i>cont.</i> | Principal amount | Value |
|--|---------------------|-------|

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|---|-----------|-----------|
| Capital Auto Receivables Asset Trust 144A Ser. 06-1, Class D, 7.16s, 2013 | \$500,000 | \$475,918 |
|---|-----------|-----------|

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|--|---------|--------|
| Citigroup Mortgage Loan Trust, Inc. FRB Ser. 05-HE4, Class M11, 5.707s, 2035 | 304,000 | 30,400 |
| FRB Ser. 05-HE4, Class M12, 5.257s, 2035 | 53,839 | 2,692 |
| FRB Ser. 05-OPT1, Class M1, 3.627s, 2035 | 47,073 | 29,440 |

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|--|-----------|-----------|
| Conseco Finance Securitizations Corp. | | |
| Ser. 00-2, Class A5, 8.85s, 2030 | 1,379,474 | 1,101,899 |
| Ser. 00-4, Class A6, 8.31s, 2032 | 3,278,798 | 2,436,209 |
| Ser. 00-5, Class A7, 8.2s, 2032 | 476,000 | 342,625 |
| Ser. 00-1, Class A5, 8.06s, 2031 | 935,093 | 647,365 |
| Ser. 00-4, Class A5, 7.97s, 2032 | 185,964 | 133,950 |
| Ser. 00-5, Class A6, 7.96s, 2032 | 668,995 | 510,242 |
| Ser. 02-1, Class M1F, 7.954s, 2033 | 44,000 | 39,299 |
| Ser. 01-3, Class M2, 7.44s, 2033 | 59,427 | 8,648 |
| Ser. 01-4, Class A4, 7.36s, 2033 | 199,080 | 172,191 |
| Ser. 00-6, Class A5, 7.27s, 2031 | 73,383 | 63,072 |
| Ser. 01-1, Class A5, 6.99s, 2032 | 4,329,219 | 3,968,172 |
| Ser. 01-3, Class A4, 6.91s, 2033 | 2,835,114 | 2,446,440 |
| Ser. 02-1, Class A, 6.681s, 2033 | 839,960 | 805,436 |
| FRB Ser. 02-1, Class M1A, 4.54s, 2033 | 2,249,000 | 1,635,657 |
| FRB Ser. 01-4, Class M1, 4.24s, 2033 | 295,000 | 98,137 |

| | | |
|--|--------|--------|
| Countrywide Asset Backed Certificates | | |
| FRB Ser. 05-BC3, Class M1, 3.727s, 2035 | 47,000 | 28,200 |
| FRB Ser. 05-14, Class 3A2, 3.447s, 2036 | 26,874 | 24,186 |

| | | |
|---|---------|---------|
| Crest, Ltd. 144A Ser. 03-2A, Class E2, 8s, 2038 (Cayman Islands) | 431,000 | 267,220 |
|---|---------|---------|

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| DB Master Finance, LLC 144A Ser. 06-1, Class M1, 8.285s, 2031 | | 277,000 | 207,509 |
| Equifirst Mortgage Loan Trust FRB Ser. 05-1, Class M5, 3.877s, 2035 | | 92,000 | 21,160 |
| First Franklin Mortgage Loan Asset Backed Certificates FRB Ser. 06-FF7, Class 2A3, 3.357s, 2036 | | 173,000 | 105,945 |
| Fremont Home Loan Trust FRB Ser. 05-E, Class 2A4, 3.537s, 2036 FRB Ser. 06-2, Class 2A3, 3.377s, 2036 | | 244,000 353,000 | 175,680 257,690 |
| Gears Auto Owner Trust 144A Ser. 05-AA, Class E1, 8.22s, 2012 | | 687,000 | 650,525 |
| Granite Mortgages PLC FRB Ser. 03-2, Class 3C, 7.589s, 2043 (United Kingdom) | GBP | 736,381 | 1,224,319 |
| FRB Ser. 03-2, Class 2C1, 5.2s, 2043 (United Kingdom) | EUR | 1,430,000 | 1,909,682 |
| Green Tree Financial Corp. Ser. 94-6, Class B2, 9s, 2020 Ser. 94-4, Class B2, 8.6s, 2019 Ser. 93-1, Class B, 8.45s, 2018 Ser. 99-5, Class A5, 7.86s, 2030 Ser. 96-8, Class M1, 7.85s, 2027 Ser. 95-8, Class B1, 7.3s, 2026 Ser. 95-4, Class B1, 7.3s, 2025 Ser. 96-10, Class M1, 7.24s, 2028 Ser. 97-6, Class M1, 7.21s, 2029 Ser. 98-2, Class A6, 6.81s, 2027 Ser. 99-3, Class A7, 6.74s, 2031 | | \$861,059 365,488 374,240 3,976,395 387,000 362,579 371,800 41,000 1,087,000 399,822 733,000 | 812,065 223,240 334,077 3,386,537 342,056 304,380 335,116 29,750 809,928 390,744 687,183 |

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| ASSET-BACKED SECURITIES (13.8%)* <i>cont.</i> | Principal amount | Value |
|--|---------------------|-----------|
| Green Tree Financial Corp. FRN 6.53s, 2030 | \$183,816 | \$170,366 |
| Ser. 99-2, Class A7, 6.44s, 2030 | 45,712 | 39,236 |
| Ser. 99-1, Class A6, 6.37s, 2025 | 18,000 | 17,411 |
| Ser. 98-4, Class A5, 6.18s, 2030 | 463,821 | 424,241 |
| Ser. 99-1, Class A5, 6.11s, 2023 | 223,975 | 221,804 |

Greenpoint Manufactured Housing

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|--|-------------|-----------|
| Ser. 00-3, Class IA, 8.45s, 2031 | 1,660,683 | 1,424,406 |
| Ser. 99-5, Class M1A, 8.3s, 2026 | 157,000 | 143,255 |
| Ser. 99-5, Class A4, 7.59s, 2028 | 44,639 | 43,746 |
| <hr/> | | |
| GS Auto Loan Trust 144A Ser. 04-1, Class D, 5s, 2011 | 365,777 | 342,002 |
| <hr/> | | |
| GSAMP Trust FRB Ser. 06-HE5, Class A2C, 3.357s, 2036 | 526,000 | 322,280 |
| <hr/> | | |
| Guggenheim Structured Real Estate Funding, Ltd. 144A FRB Ser. 05-2A, Class E, 5.207s, 2030 (Cayman Islands) | 379,000 | 165,547 |
| FRB Ser. 05-1A, Class E, 5.007s, 2030 (Cayman Islands) | 83,828 | 56,165 |
| <hr/> | | |
| Home Equity Asset Trust FRB Ser. 06-1, Class 2A4, 3.537s, 2036 | 122,000 | 75,030 |
| <hr/> | | |
| JPMorgan Mortgage Acquisition Corp. FRB Ser. 06-FRE1, Class A4, 3.497s, 2035 | 103,000 | 63,088 |
| <hr/> | | |
| Lehman ABS Manufactured Housing Contract Ser. 01-B, Class A4, 5.27s, 2018 | 1,182,036 | 1,004,354 |
| <hr/> | | |
| Lehman XS Trust FRB Ser. 07-6, Class 2A1, 3.417s, 2037 | 1,194,566 | 772,659 |
| <hr/> | | |
| LNR CDO, Ltd. 144A FRB Ser. 02-1A, Class FFL, 5.926s, 2037 (Cayman Islands) | 1,260,000 | 567,000 |
| <hr/> | | |
| Local Insight Media Finance, LLC Ser. 07-1W, Class A1, 5.53s, 2012 F | 1,715,324 | 1,368,023 |
| <hr/> | | |
| Long Beach Mortgage Loan Trust FRB Ser. 05-2, Class M4, 3.827s, 2035 | 255,000 | 79,050 |
| FRB Ser. 06-4, Class 2A4, 3 .467s, 2036 | 117,000 | 56,429 |
| FRB Ser. 06-1, Class 2A3, 3.397s, 2036 | 161,000 | 120,750 |
| <hr/> | | |
| Lothian Mortgages PLC 144A FRB Ser. 3A, Class D, 6.597s, 2039 (United Kingdom) | GBP 900,000 | 1,478,351 |
| <hr/> | | |

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| Madison Avenue Manufactured Housing Contract FRB Ser. 02-A, Class B1, 6.457s, 2032 | \$1,046,356 | 741,093 |
| <hr/> | | |
| MASTR Asset Backed Securities Trust FRB Ser. 06-FRE2, Class A4, 3.357s, 2036 | 61,000 | 40,528 |
| <hr/> | | |
| Mid-State Trust Ser. 11, Class B, 8.221s, 2038 | 112,436 | 85,204 |
| <hr/> | | |
| Morgan Stanley ABS Capital I FRB Ser. 04-HE8, Class B3, 6.407s, 2034 | 69,835 | 13,967 |
| FRB Ser. 05-HE2, Class M5, 3.887s, 2035 | 160,000 | 28,800 |
| FRB Ser. 05-HE1, Class M3, 3.727s, 2034 | 160,000 | 57,600 |
| FRB Ser. 06-NC4, Class M2, 3.507s, 2036 | 223,000 | 17,840 |
| <hr/> | | |
| ASSET-BACKED SECURITIES (13.8%)* <i>cont.</i> | Principal amount | Value |
| <hr/> | | |
| Navistar Financial Corp. Owner Trust Ser. 05-A, Class C, 4.84s, 2014 | \$72,629 | \$65,102 |
| Ser. 04-B, Class C, 3.93s, 2012 | 44,238 | 39,024 |
| <hr/> | | |
| New Century Home Equity Loan Trust FRB Ser. 03-4, Class M3, 5.257s, 2033 | 13,595 | 544 |
| <hr/> | | |
| Novastar Home Equity Loan FRB Ser. 06-1, Class A2C, 3.367s, 2036 | 146,000 | 120,450 |
| FRB Ser. 06-2, Class A2C, 3.357s, 2036 | 146,000 | 101,762 |
| <hr/> | | |
| Oakwood Mortgage Investors, Inc. Ser. 96-C, Class B1, 7.96s, 2027 | 1,008,054 | 565,663 |
| Ser. 99-D, Class A1, 7.84s, 2029 | 885,433 | 717,201 |
| Ser. 00-A, Class A2, 7.765s, 2017 | 127,879 | 99,259 |
| Ser. 95-B, Class B1, 7.55s, 2021 | 350,897 | 222,942 |
| Ser. 00-D, Class A4, 7.4s, 2030 | 1,022,000 | 630,778 |
| Ser. 02-B, Class A4, 7.09s, 2032 | 369,919 | 322,237 |
| Ser. 99-B, Class A4, 6.99s, 2026 | 928,948 | 737,749 |
| Ser. 00-D, Class A3, 6.99s, 2022 6.97s, 2032 | 310,700 54,122 | 309,065 46,258 |

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| Ser. 01-D, Class A4, 6.93s, 2031 | 682,742 | 463,653 |
| Ser. 01-E, Class A4, 6.81s, 2031 | 892,547 | 706,992 |
| Ser. 99-B, Class A3, 6.45s, 2017 | 221,305 | 188,002 |
| Ser. 01-C, Class A2, 5.92s, 2017 | 909,648 | 462,762 |
| Ser. 02-C, Class A1, 5.41s, 2032 | 1,127,522 | 896,154 |
| Ser. 01-D, Class A2, 5.26s, 2019 | 136,471 | 85,444 |
| Ser. 01-E, Class A2, 5.05s, 2019 | 947,778 | 590,917 |
| Ser. 02-A, Class A2, 5.01s, 2020 | 238,000 | 193,255 |
| <hr/> | | |
| Oakwood Mortgage Investors, Inc. 144A | | |
| Ser. 01-B, Class A4, 7.21s, 2030 | 176,355 | 143,639 |
| FRB Ser. 01-B, Class A2, 2.863s, 2018 | 47,612 | 36,262 |
| <hr/> | | |
| Ocean Star PLC 144A FRB Ser. 05-A, Class E, 7.404s, 2012 (Ireland) | 238,000 | 179,976 |
| <hr/> | | |
| Option One Mortgage Loan Trust FRB Ser. 05-4, Class M11, 5.707s, 2035 | 509,000 | 13,998 |
| <hr/> | | |
| Park Place Securities, Inc. | | |
| FRB Ser. 05-WCH1, Class M4, 4.037s, 2036 | 104,000 | 10,400 |
| FRB Ser. 04-MCW1, Class A2, 3.587s, 2034 | 109,631 | 96,328 |
| <hr/> | | |
| People's Financial Realty Mortgage Securities Trust FRB Ser. 06-1, Class 1A2, 3.337s, 2036 | | |
| | 225,000 | 126,000 |
| <hr/> | | |
| Residential Asset Mortgage Products, Inc. | | |
| FRB Ser. 06-NC3, Class A2, 3.397s, 2036 | 155,711 | 127,496 |
| FRB Ser. 07-RZ1, Class A2, 3.367s, 2037 | 176,000 | 135,080 |
| <hr/> | | |
| Residential Asset Securities Corp. | | |
| FRB Ser. 05-EMX1, Class M2, 3.937s, 2035 | 362,000 | 130,320 |
| Ser. 01-KS3, Class All, 3.667s, 2031 ^F | 1,482,241 | 1,217,222 |
| <hr/> | | |
| Residential Asset Securities Corp. | | |
| 144A FRB Ser. 05-KS10, Class B, 5.957s, 2035 | 385,641 | 3,856 |
| <hr/> | | |

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| ASSET-BACKED SECURITIES (13.8%)* <i>cont.</i> | Principal amount | Value |
|--|---------------------|-----------|
| Securitized Asset Backed Receivables, LLC FRB Ser. 05-HE1, Class M2, 3.857s, 2035 | \$160,000 | \$36,800 |
| FRB Ser. 07-NC2, Class A2B, 3.347s, 2037 | 165,000 | 96,525 |
| SG Mortgage Securities Trust FRB Ser. 06-OPT2, Class A3D, PO, 3.417s, 2036 | 246,000 | 105,780 |
| Soundview Home Equity Loan Trust FRB Ser. 06-OPT3, Class 2A3, 3.377s, 2036 | 117,000 | 93,289 |
| FRB Ser. 06-3, Class A3, 3.367s, 2036 | 529,000 | 423,888 |
| Soundview Home Equity Loan Trust 144A FRB Ser. 05-4, Class M10, 5.707s, 2036 | 392,000 | 9,800 |
| South Coast Funding 144A FRB Ser. 3A, Class A2, 4.003s, 2038 (Cayman Islands) | 140,000 | 700 |
| Structured Asset Investment Loan Trust FRB Ser. 06-BNC2, Class A6, 3.467s, 2036 | 117,000 | 22,820 |
| Structured Asset Investment Loan Trust 144A FRB Ser. 05-HE3, Class M11, 5.707s, 2035 | 31,494 | 151 |
| Structured Asset Receivables Trust 144A FRB Ser. 05-1, 3.286s, 2015 ^F | 1,756,006 | 1,568,054 |
| TIAA Real Estate CDO, Ltd. Ser. 03-1A, Class E, 8s, 2038 | 467,000 | 194,081 |
| TIAA Real Estate CDO, Ltd. 144A Ser. 02-1A, Class IV, 6.84s, 2037 | 390,000 | 245,981 |
| Whinstone Capital Management, Ltd. 144A FRB Ser. 1A, Class B3, 3.7s, 2044 (United Kingdom) | 256,909 | 204,425 |

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Total asset-backed securities (cost \$66,085,118) \$53,919,123

| SENIOR LOANS (13.2%)* [Ⓒ] | Principal amount | Value |
|--|---------------------|-----------|
| <hr/> | | |
| Basic Materials (1.4%) | | |
| Aleris International, Inc. bank term loan FRN Ser. B, 5 1/4s, 2013 | \$409,804 | \$326,477 |
| <hr/> | | |
| Domtar Corp. bank term loan FRN 4.804s, 2014 (Canada) | 308,000 | 281,307 |
| <hr/> | | |
| Georgia-Pacific, LLC bank term loan FRN Ser. B, 4.544s, 2013 | 995,258 | 876,346 |
| <hr/> | | |
| Georgia-Pacific, LLC bank term loan FRN Ser. B2, 4.299s, 2012 | 284,178 | 250,224 |
| <hr/> | | |
| Graphic Packaging Corp. bank term loan FRN Ser. C, 5.981s, 2014 | 325,199 | 289,753 |
| <hr/> | | |
| Hexion Specialty Chemicals, Inc. bank term loan FRN Ser. C, 6.063s, 2013 | 19,750 | 15,010 |
| <hr/> | | |
| Huntsman International, LLC bank term loan FRN Ser. B, 5.459s, 2012 | 1,420,000 | 1,238,950 |
| <hr/> | | |
| Momentive Performance Materials, Inc. bank term loan FRN 6s, 2013 | 402,625 | 348,875 |
| <hr/> | | |
| NewPage Holding Corp. bank term loan FRN 7s, 2014 | 337,450 | 305,498 |
| <hr/> | | |
| Novelis, Inc. bank term loan FRN Ser. B, 4.81s, 2014 | 230,484 | 200,060 |
| <hr/> | | |
| | Principal amount | Value |
| <hr/> | | |
| SENIOR LOANS (13.2%)* [Ⓒ] <i>cont.</i> | | |
| <hr/> | | |
| Basic Materials <i>cont.</i> | | |
| Novelis, Inc. bank term loan FRN Ser. B, 4.81s, 2014 | \$507,066 | \$440,133 |
| <hr/> | | |
| Rockwood Specialties Group, Inc. bank term loan FRN Ser. E, | | |

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| | | |
|--|---------|-----------|
| 4.299s, 2012 | 864,675 | 778,568 |
| | | 5,351,201 |
| Capital Goods (1.1%) | | |
| Allied Waste Industries, Inc. bank term loan FRN 6.82s, 2012 | 340,023 | 326,665 |
| Allied Waste Industries, Inc. bank term loan FRN 5.471s, 2012 | 475,803 | 457,111 |
| Berry Plastics Holding Corp. bank term loan FRN 4.798s, 2015 | 147,750 | 119,160 |
| Graham Packaging Co., LP bank term loan FRN 5.059s, 2011 | 98,500 | 87,665 |
| Hawker Beechcraft Acquisition Co., LLC bank term loan FRN 2.601s, 2014 | 51,780 | 45,067 |
| Hawker Beechcraft Acquisition Co., LLC bank term loan FRN Ser. B, 5.762s, 2014 | 973,991 | 847,720 |
| Hexcel Corp. bank term loan FRN Ser. B, 4.938s, 2012 | 259,418 | 249,042 |
| Manitowoc Co., Inc. (The) bank term loan FRN Ser. B, 6 1/2s, 2014 ^U | 575,000 | 546,538 |
| Mueller Water Products, Inc. bank term loan FRN Ser. B, 4.908s, 2014 | 354,257 | 314,108 |
| Polypore, Inc. bank term loan FRN Ser. B, 6.03s, 2014 | 312,105 | 287,136 |
| Sensata Technologies BV bank term loan FRN 4.543s, 2013 (Netherlands) | 278,249 | 231,468 |
| Sequa Corp. bank term loan FRN 6.812s, 2014 | 434,094 | 378,205 |
| Transdigm, Inc. bank term loan FRN 5.21s, 2013 | 435,000 | 399,113 |
| Wesco Aircraft Hardware Corp. bank term loan FRN 5.96s, 2013 | 210,000 | 189,394 |
| | | 4,478,392 |
| Communication Services (1.2%) | | |

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| | | |
|--|---------|---------|
| Alltel Communications, Inc. bank term loan FRN Ser. B2, 5.316s, 2015 | 624,844 | 600,534 |
| Alltel Communications, Inc. bank term loan FRN Ser. B3, 4.997s, 2015 | 651,359 | 630,597 |
| Cricket Communications, Inc. bank term loan FRN Ser. B, 7.262s, 2013 | 34,734 | 32,979 |
| Crown Castle International Corp. bank term loan FRN 5.376s, 2014 | 104,207 | 90,816 |
| Fairpoint Communications, Inc. bank term loan FRN Ser. B, 5 3/4s, 2015 | 480,000 | 393,000 |
| Intelsat Corp. bank term loan FRN Ser. B2, 5.288s, 2011 | 266,119 | 240,394 |
| Intelsat Corp. bank term loan FRN Ser. B2-A, 5.288s, 2013 | 266,199 | 240,466 |
| Intelsat Corp. bank term loan FRN Ser. B2-C, 5.288s, 2013 | 266,119 | 240,394 |
| Intelsat, Ltd. bank term loan FRN 6.883s, 2014 (Bermuda) | 460,000 | 391,000 |
| Intelsat, Ltd. bank term loan FRN Ser. B, 5.288s, 2013 (Bermuda) | 589,500 | 533,498 |

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| SENIOR LOANS (13.2%)* ^c cont. | Principal amount | Value |
|---|---------------------|-----------|
| Communication Services cont. Level 3 Communications, Inc. bank term loan FRN 4.952s, 2014 | \$210,000 | \$175,875 |
| MetroPCS Wireless, Inc. bank term loan FRN 5.4s, 2013 | 453,405 | 402,559 |
| PAETEC Holding Corp. bank term loan FRN 4.969s, 2013 | 69,650 | 58,158 |
| PAETEC Holding Corp. bank term loan FRN Ser. B1, 6.204s, 2013 | 204,257 | 170,555 |

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| | | |
|--|---------|-----------|
| Time Warner Telecom, Inc. bank term loan FRN Ser. B, 5.71s, 2013 | 316,772 | 298,821 |
| West Corp. bank term loan FRN 5.813s, 2013 | 208,939 | 160,361 |
| | | 4,660,007 |
| Consumer Cyclicals (2.8%) Allison Transmission bank term loan FRN Ser. B, 5.377s, 2014 | 439,881 | 361,802 |
| Aramark Corp. bank term loan FRN 2.025s, 2014 | 12,544 | 10,823 |
| Aramark Corp. bank term loan FRN Ser. B, 5.637s, 2014 | 197,456 | 170,360 |
| CCM Merger, Inc. bank term loan FRN Ser. B, 5.284s, 2012 | 107,996 | 89,637 |
| Cenveo, Inc. bank term loan FRN Ser. C, 4.954s, 2014 | 238,394 | 206,211 |
| Cenveo, Inc. bank term loan FRN Ser. DD, 4.954s, 2014 | 7,944 | 6,871 |
| Cooper-Standard Automotive, Inc. bank term loan FRN Ser. B, 6.313s, 2012 | 221,773 | 188,507 |
| Cooper-Standard Automotive, Inc. bank term loan FRN Ser. C, 6.313s, 2012 | 554,121 | 471,003 |
| Dana Corp. bank term loan FRN 6.771s, 2015 | 491,288 | 416,059 |
| Dex Media West, LLC/Dex Media Finance Co. bank term loan FRN Ser. B, 7.405s, 2014 | 250,000 | 215,000 |
| GateHouse Media, Inc. bank term loan FRN Ser. B, 5.07s, 2014 | 220,000 | 101,200 |
| GateHouse Media, Inc. bank term loan FRN Ser. B, 4.81s, 2014 | 513,424 | 236,175 |
| GateHouse Media, Inc. bank term loan FRN Ser. DD, 4.801s, 2014 | 191,576 | 88,125 |

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| | | |
|---|---------------------|-----------|
| Golden Nugget, Inc. bank term loan FRN Ser. B, 5.43s, 2014 | 101,818 | 79,418 |
| Golden Nugget, Inc. bank term loan FRN Ser. DD, 4.84s, 2014 ^U | 58,182 | 45,382 |
| Goodman Global Holdings, Inc. bank term loan FRN Ser. B, 7.708s, 2011 | 898,895 | 879,809 |
| Goodyear Tire & Rubber Co. (The) bank term loan FRN 4.54s, 2010 | 1,760,000 | 1,482,800 |
| Harrah's Operating Co., Inc. bank term loan FRN Ser. B2, 5.805s, 2015 | 208,950 | 167,891 |
| Isle of Capri Casinos, Inc. bank term loan FRN 5.512s, 2014 | 207,181 | 165,055 |
| Isle of Capri Casinos, Inc. bank term loan FRN Ser. A, 5.512s, 2014 | 62,469 | 49,767 |
| Isle of Capri Casinos, Inc. bank term loan FRN Ser. B, 5.512s, 2014 | 82,873 | 66,022 |
| | Principal amount | Value |
| SENIOR LOANS (13.2%)* ^C cont. | | |
| Consumer Cyclicals cont. | | |
| Lear Corp bank term loan FRN 6.045s, 2013 | \$985,453 | \$757,978 |
| Michaels Stores, Inc. bank term loan FRN Ser. B, 4.863s, 2013 | 325,854 | 237,990 |
| National Bedding Co. bank term loan FRN 5.353s, 2011 | 90,540 | 69,263 |
| Navistar Financial Corp. bank term loan FRN 5.695s, 2012 | 218,667 | 187,325 |
| Navistar International Corp. bank term loan FRN 6.191s, 2012 | 601,333 | 515,142 |
| Neiman Marcus Group, Inc. (The) bank term loan FRN Ser. B, 4.565s, 2013 | 464,285 | 399,671 |
| Reader's Digest Association, Inc. | | |

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|--|---------|------------|
| (The) bank term loan FRN Ser. B, 4.706s, 2014 | 418,625 | 297,224 |
| <hr/> | | |
| Realogy Corp. bank term loan FRN 2.3s, 2013 R | 213,150 | 157,598 |
| <hr/> | | |
| Realogy Corp. bank term loan FRN Ser. B, 5.57s, 2013 R | 791,700 | 585,363 |
| <hr/> | | |
| Tribune Co. bank term loan FRN Ser. B, 5.786s, 2014 | 948,000 | 495,330 |
| <hr/> | | |
| Tropicana Entertainment bank term loan FRN Ser. B, 6 1/4s, 2011 | 695,000 | 463,913 |
| <hr/> | | |
| TRW Automotive, Inc. bank term loan FRN Ser. B, 4.471s, 2014 | 183,150 | 171,245 |
| <hr/> | | |
| United Components, Inc. bank term loan FRN Ser. D, 4.81s, 2012 | 388,444 | 357,369 |
| <hr/> | | |
| Visant Holding Corp. bank term loan FRN Ser. C, 5.171s, 2010 | 363,793 | 348,029 |
| <hr/> | | |
| Visteon Corp. bank term loan FRN Ser. B, 5.47s, 2013 | 866,000 | 498,816 |
| <hr/> | | |
| Visteon Corp. bank term loan FRN Ser. B1, 6.1s, 2013 | 34,000 | 19,584 |
| <hr/> | | |
| Yankee Candle Co., Inc. bank term loan FRN 5.764s, 2014 | 124,000 | 101,577 |
| <hr/> | | |
| | | 11,161,334 |
| Consumer Staples (3.3%) Affinion Group, Inc. bank term loan FRN Ser. B, 5.345s, 2013 | 902,719 | 825,988 |
| <hr/> | | |
| Cablevision Systems Corp. bank term loan FRN 4.569s, 2013 | 934,784 | 818,938 |
| <hr/> | | |
| Cebridge Connections, Inc. bank term loan FRN Ser. B, 4.792s, 2013 | 689,500 | 596,202 |
| <hr/> | | |
| Charter Communications Operating, LLC bank term loan FRN 8.77s, 2014 | 228,850 | 213,076 |
| <hr/> | | |
| Charter Communications, Inc. bank term loan FRN 6.262s, 2014 | 200,000 | 144,000 |

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|--|-----------|-----------|
| Charter Communications, Inc. bank term loan FRN 4.8s, 2014 | 2,184,830 | 1,729,658 |
| Cinemark USA, Inc. bank term loan FRN 4.615s, 2013 | 514,548 | 439,938 |
| Citadel Communications bank term loan FRN Ser. B, 4.277s, 2014 | 425,000 | 310,250 |
| Dean Foods Co. bank term loan FRN Ser. B, 5.269s, 2014 | 738,750 | 647,145 |
| DirecTV Holdings, LLC bank term loan FRN 5.601s, 2013 | 279,300 | 264,357 |

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| SENIOR LOANS (13.2%)* ^c cont. | Principal amount | Value |
|--|------------------|-----------|
| Consumer Staples cont. | | |
| Idearc, Inc. bank term loan FRN Ser. B, 5.767s, 2014 | \$1,413,082 | \$818,175 |
| Insight Midwest, LP bank term loan FRN Ser. B, 4.49s, 2014 | 130,326 | 118,661 |
| Jarden Corp. bank term loan FRN Ser. B1, 5.512s, 2012 | 270,781 | 235,918 |
| Jarden Corp. bank term loan FRN Ser. B2, 5.512s, 2012 | 123,092 | 107,244 |
| Mediacom Communications Corp. bank term loan FRN Ser. C, 4.744s, 2015 | 816,393 | 716,385 |
| Mediacom Communications Corp. bank term loan FRN Ser. D2, 4.744s, 2015 | 117,900 | 102,720 |
| MGM Studios, Inc. bank term loan FRN Ser. B, 6.051s, 2011 | 879,750 | 616,705 |
| Pinnacle Foods Holding Corp. bank term loan FRN Ser. B, 5.44s, 2014 | 504,667 | 417,192 |
| R.H. Donnelley, Inc. bank term loan FRN 6.828s, 2011 | 518,790 | 452,385 |

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| | | |
|---|---------|------------|
| R.H. Donnelley, Inc. bank term loan FRN Ser. D1, 6.826s, 2011 | 289,569 | 254,531 |
| Rental Service Corp. bank term loan FRN 6.3s, 2013 | 445,000 | 347,100 |
| Rite-Aid Corp. bank term loan FRN Ser. B, 5.014s, 2014 | 99,500 | 80,098 |
| Six Flags Theme Parks bank term loan FRN 5.603s, 2015 | 642,863 | 515,254 |
| Spectrum Brands, Inc. bank term loan FRN 2.336s, 2013 | 30,543 | 22,296 |
| Spectrum Brands, Inc. bank term loan FRN Ser. B1, 6.732s, 2013 | 529,867 | 386,803 |
| Ticketmaster bank term loan FRN Ser. B, 6.64s, 2014 | 305,000 | 286,700 |
| Universal City Development Partners bank term loan FRN Ser. B, 5.921s, 2011 | 969,872 | 931,077 |
| Univision Communications, Inc. bank term loan FRN Ser. B, 5.121s, 2014 | 285,000 | 182,400 |
| VNU Group BV bank term loan FRN Ser. B, 4.803s, 2013 (Netherlands) | 208,406 | 179,333 |
| Warner Music Group bank term loan FRN Ser. B, 5.073s, 2011 | 150,741 | 134,914 |
| Young Broadcasting, Inc. bank term loan FRN Ser. B, 5.32s, 2012 | 262,508 | 198,194 |
| | | 13,093,637 |
| Energy (0.5%) CR Gas Storage bank term loan FRN 4.847s, 2013 | 50,048 | 44,731 |
| CR Gas Storage bank term loan FRN 4.843s, 2013 | 20,727 | 18,524 |
| CR Gas Storage bank term loan FRN Ser. B, 4.847s, 2013 | 309,195 | 276,343 |

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|---|------------------|-----------|
| CR Gas Storage bank term loan FRN Ser. DD, 4.844s, 2013 | 33,902 | 30,300 |
| Enterprise GP Holdings, LP bank term loan FRN 4.916s, 2014 | 105,000 | 97,125 |
| EPCO Holding, Inc. bank term loan FRN Ser. A, 4.563s, 2012 | 220,000 | 209,275 |
| Hercules Offshore, Inc. bank term loan FRN Ser. B, 4.55s, 2013 | 244,350 | 231,318 |
| | Principal amount | Value |
| SENIOR LOANS (13.2%)* ^C cont. | | |
| Energy cont. | | |
| MEG Energy Corp. bank term loan FRN 5.76s, 2013 (Canada) | \$97,500 | \$90,675 |
| MEG Energy Corp. bank term loan FRN Ser. DD, 5.76s, 2013 (Canada) | 99,375 | 92,419 |
| Petroleum Geo-Services ASA bank term loan FRN 5.51s, 2015 (Norway) | 143,000 | 137,101 |
| Quicksilver Resources, Inc. bank term loan FRN 8.204s, 2013 | 279,300 | 266,732 |
| Targa Resources, Inc. bank term loan FRN 5.97s, 2012 | 269,428 | 241,138 |
| Targa Resources, Inc. bank term loan FRN 3.637s, 2012 | 153,871 | 137,715 |
| | | 1,873,396 |
| Financial (0.1%) | | |
| General Growth Properties, Inc. bank term loan FRN Ser. A, 3.64s, 2010 ^R | 100,000 | 78,700 |
| Hub International, Ltd. bank term loan FRN Ser. B, 5.301s, 2014 | 141,544 | 122,259 |
| Hub International, Ltd. bank term loan FRN Ser. DD, 5.568s, 2014 | 31,814 | 27,479 |
| Nuveen Investments, Inc. bank term loan FRN Ser. B, 6.726s, 2014 | 358,200 | 304,470 |

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|--|-----------|-----------|
| | | 532,908 |
| Health Care (0.9%) | | |
| Community Health Systems, Inc. bank term loan FRN Ser. B, 5.277s, 2014 | 585,226 | 512,072 |
| Community Health Systems, Inc. bank term loan FRN Ser. DD, 0 1/2s, 2014 ^u | 30,270 | 26,486 |
| Davita, Inc. bank term loan FRN Ser. B, 5.22s, 2012 | 300,000 | 269,550 |
| Health Management Associates, Inc. bank term loan FRN 5.512s, 2014 | 1,325,909 | 1,112,659 |
| Healthsouth Corp. bank term loan FRN Ser. B, 4.994s, 2013 | 365,396 | 327,943 |
| Hologic, Inc. bank term loan FRN Ser. B, 6s, 2013 | 189,197 | 185,413 |
| IASIS Healthcare, LLC/IASIS Capital Corp. bank term loan FRN 8.043s, 2014 | 366,949 | 311,907 |
| IASIS Healthcare, LLC/IASIS Capital Corp. bank term loan FRN 7.62s, 2014 | 32,503 | 28,819 |
| IASIS Healthcare, LLC/IASIS Capital Corp. bank term loan FRN Ser. B, 5.704s, 2014 | 351,366 | 311,545 |
| IASIS Healthcare, LLC/IASIS Capital Corp. bank term loan FRN Ser. DD, 5.704s, 2014 | 121,580 | 107,801 |
| LifePoint, Inc. bank term loan FRN Ser. B, 4.435s, 2012 | 232,437 | 210,355 |
| Sun Healthcare Group, Inc. bank term loan FRN 2.701s, 2014 | 35,012 | 31,511 |
| Sun Healthcare Group, Inc. bank term loan FRN Ser. B, 4.804s, 2014 | 108,913 | 98,022 |
| Sun Healthcare Group, Inc. bank term loan FRN Ser. DD, 5.422s, 2014 | 21,195 | 19,076 |

3,553,159

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| SENIOR LOANS (13.2%)* ^c <i>cont.</i> | Principal amount | Value |
|--|---------------------|-----------|
| Technology (0.7%) Activant Solutions Holdings, Inc. bank term loan FRN Ser. B, 4.804s, 2013 | \$173,827 | \$139,931 |
| Compucom Systems, Inc. bank term loan FRN 7.21s, 2014 | 202,950 | 184,685 |
| First Data Corp. bank term loan FRN Ser. B1, 5.963s, 2014 | 390,579 | 331,992 |
| First Data Corp. bank term loan FRN Ser. B3, 5.982s, 2014 | 292,597 | 249,805 |
| Flextronics International, Ltd. bank term loan FRN Ser. B, 6.066s, 2014 (Singapore) | 605,203 | 512,532 |
| Flextronics International, Ltd. bank term loan FRN Ser. B, 5.041s, 2014 (Singapore) | 173,909 | 147,279 |
| Freescale Semiconductor, Inc. bank term loan FRN Ser. B, 5.47s, 2013 | 137,947 | 111,047 |
| JDA Software Group, Inc. bank term loan FRN Ser. B, 5.034s, 2013 | 23,118 | 22,194 |
| Sabre Holdings Corp. bank term loan FRN 4.666s, 2014 | 291,542 | 195,750 |
| SunGard Data Systems, Inc. bank term loan FRN 4.553s, 2014 | 799,939 | 693,447 |
| Travelport bank term loan FRN 6.262s, 2013 | 6,335 | 5,036 |
| Travelport bank term loan FRN Ser. B, 6.012s, 2013 | 115,464 | 91,794 |
| Travelport bank term loan FRN Ser. DD, 5.954s, 2013 | 125,157 | 100,689 |

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| | | |
|---|------------------|--------------|
| | | 2,786,181 |
| Transportation (0.4%) | | |
| Ceva Group PLC bank term loan FRN 7.736s, 2015 (Netherlands) | 1,810,000 | 1,285,100 |
| Delta Airlines, Inc. bank term loan FRN 5.64s, 2012 | | |
| | 2,250 | 1,778 |
| UAL Corp. bank term loan FRN Ser. B, 5.457s, 2014 | | |
| | 128,867 | 78,179 |
| Utilities & Power (0.8%) | | |
| Dynergy Holdings, Inc. bank term loan FRN 5.21s, 2013 | | |
| | 765,000 | 650,250 |
| Energy Future Holdings Corp. bank term loan FRN Ser. B2, 6.228s, 2014 | | |
| | 688,571 | 580,982 |
| Energy Future Holdings Corp. bank term loan FRN Ser. B3, 6.28s, 2014 | | |
| | 638,550 | 537,408 |
| NRG Energy, Inc. bank term loan FRN 7.84s, 2014 ^U | | |
| | 180,000 | 166,500 |
| NRG Energy, Inc. bank term loan FRN 5.262s, 2014 | | |
| | 585,047 | 512,566 |
| NRG Energy, Inc. bank term loan FRN 4.451s, 2014 | | |
| | 287,427 | 251,818 |
| Reliant Energy, Inc. bank term loan FRN 3.6s, 2014 | | |
| | 450,000 | 372,000 |
| | | 3,071,524 |
| Total senior loans (cost \$60,459,686) | | \$51,926,796 |
| FOREIGN GOVERNMENT BONDS AND NOTES (11.2%)* | | |
| | Principal amount | Value |
| Argentina (Republic of) bonds 7s, 2013 | \$47,000 | \$32,383 |
| Argentina (Republic of) bonds Ser. \$V, 10 1/2s, 2012 | ARS 2,039,000 | 405,251 |
| Argentina (Republic of) bonds FRB zero %, 2013 | \$1,431,000 | 622,485 |

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|---|-----|---------------|------------|
| Argentina (Republic of) sr. unsec. unsub. bonds 7s, 2015 | | 653,000 | 364,048 |
| Argentina (Republic of) sr. unsec. unsub. bonds FRB 3.127s, 2012 | | 10,819,000 | 3,921,888 |
| Brazil (Federal Republic of) bonds 6s, 2017 | | 790,000 | 766,300 |
| Brazil (Federal Republic of) notes zero %, 2017 | BRL | 3,390 | 1,477,290 |
| Brazil (Federal Republic of) notes zero %, 2012 | BRL | 657 | 314,196 |
| Colombia (Republic of) notes 10s, 2012 ^S | | \$3,497,000 | 3,881,670 |
| Ecuador (Republic of) bonds Ser. REGS, 12s, 2012 | | 1,645,056 | 1,505,226 |
| Ecuador (Republic of) 144A unsec. bonds 12s, 2012 | | 465,120 | 425,585 |
| Ecuador (Republic of) regs notes 9 3/8s, 2015 | | 125,000 | 106,250 |
| Ghana (Republic of) bonds 8 1/2s, 2017 | | 285,000 | 255,788 |
| Indonesia (Republic of) 144A sr. unsec. bonds 6 3/4s, 2014 | | 1,590,000 | 1,518,450 |
| Japan (Government of) CPI Linked bonds Ser. 12, 1.2s, 2017 | JPY | 380,825,600 | 3,406,369 |
| Japan (Government of) CPI Linked bonds Ser. 8, 1s, 2016 | JPY | 1,784,316,600 | 15,901,437 |
| Mexican (Government of) bonds Ser. M 10, 8s, 2015 | MXN | 17,460,000 | 1,563,436 |
| Spain (Government of) bonds 5.4s, 2011 | EUR | 1,000,000 | 1,456,848 |
| Turkey (Republic of) bonds 16s, 2012 | TRL | 1,395,000 | 1,023,219 |
| Ukraine (Government of) 144A bonds 6 3/4s, 2017 | | \$795,000 | 612,150 |

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|--|-----------|--------------|
| Ukraine (Government of) 144A sr. unsub. 6.58s, 2016 | 600,000 | 483,750 |
| <hr/> | | |
| Venezuela (Republic of) notes 10 3/4s, 2013 | 2,485,000 | 2,261,350 |
| <hr/> | | |
| Venezuela (Republic of) unsec. note FRN Ser. REGS, 3.791s, 2011 | 770,000 | 619,850 |
| <hr/> | | |
| Venezuela (Republic of) unsub. bonds 5 3/8s, 2010 | 945,000 | 833,963 |
| <hr/> | | |
| Total foreign government bonds and notes (cost \$44,847,774) | | \$43,759,182 |

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| U.S. GOVERNMENT AND AGENCY MORTGAGE OBLIGATIONS (10.5%)* | Principal amount | Value |
|---|---------------------|-------------|
| <hr/> | | |
| U.S. Government Guaranteed Mortgage Obligations (0.5%) Government National Mortgage Association Pass-Through Certificates 6 1/2s, with due dates from August 20, 2037 to October 20, 2037 | \$1,774,071 | \$1,818,769 |
| | | 1,818,769 |
| U.S. Government Agency Mortgage Obligations (10.0%) Federal Home Loan Mortgage Corporation Pass-Through Certificates 6s, July 1, 2021 | \$47,948 | \$48,847 |
| <hr/> | | |
| Federal National Mortgage Association Pass-Through Certificates 6 1/2s, with due dates from March 1, 2036 to December 1, 2036 | 1,421,715 | 1,459,201 |
| 6s, with due dates from August 1, 2037 to September 1, 2037 | 4,263,677 | 4,324,485 |
| <hr/> | | |
| U.S. GOVERNMENT AND AGENCY MORTGAGE OBLIGATIONS (10.5%)* cont. | Principal amount | Value |
| <hr/> | | |
| Federal National Mortgage Association Pass-Through Certificates 6s, May 1, 2021 | \$3,753,072 | \$3,829,893 |
| 6s, TBA, October 1, 2038 | 16,000,000 | 16,192,499 |
| 5 1/2s, with due dates from May 1, 2037 to December 1, 2037 | 6,594,220 | 6,575,416 |
| 5 1/2s, with due dates from | | |

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| | | |
|---|-----------|-----------|
| March 1, 2020 to January 1, 2021 | 1,435,026 | 1,449,081 |
| 5 1/2s, TBA, October 1, 2038 | 3,000,000 | 2,987,813 |
| 5s, May 1, 2021 | 85,374 | 84,904 |
| 4 1/2s, with due dates from August 1, 2033 to June 1, 2034 | 2,506,291 | 2,371,871 |

39,324,010

Total U.S. government and agency mortgage obligations
(cost \$40,896,316) \$41,142,779

| PURCHASED OPTIONS OUTSTANDING (2.0%)* | Expiration date/ strike price | Contract amount | Value |
|---------------------------------------|----------------------------------|--------------------|-------|
|---------------------------------------|----------------------------------|--------------------|-------|

| | | | |
|--|--------------|--------------|-------------|
| Option on an interest rate swap with JPMorgan Chase Bank, N.A. for the right to receive a fixed rate of 5.355% versus the three month USD-LIBOR-BBA maturing on November 12, 2019. | Nov-09/5.355 | \$18,927,000 | \$1,336,814 |
|--|--------------|--------------|-------------|

| | | | |
|---|--------------|------------|-----------|
| Option on an interest rate swap with Goldman Sachs International for the right to receive a fixed rate of 5.355% versus the three month USD-LIBOR-BBA maturing November 12, 2019. | Nov-09/5.355 | 18,927,000 | 1,336,814 |
|---|--------------|------------|-----------|

| | | | |
|--|--------------|------------|---------|
| Option on an interest rate swap with Goldman Sachs International for the right to pay a fixed rate of 5.355% versus the three month USD-LIBOR-BBA maturing on November 12, 2019. | Nov-09/5.355 | 18,927,000 | 382,640 |
|--|--------------|------------|---------|

| | | | |
|---|-------------|------------|-----------|
| Option on an interest rate swap with JPMorgan Chase Bank, N.A. for the right to receive a fixed rate of 4.83% versus the three month USD-LIBOR-BBA maturing on November 10, 2018. | Nov-08/4.83 | 34,218,000 | 1,150,751 |
|---|-------------|------------|-----------|

| | | | |
|---|--------------|------------|---------|
| Option on an interest rate swap with JPMorgan Chase Bank, N.A. for the right to pay a fixed rate of 5.355% versus the three month USD-LIBOR-BBA maturing November 12, 2019. | Nov-09/5.355 | 18,927,000 | 407,498 |
|---|--------------|------------|---------|

| | | | |
|---|-------------|------------|---------|
| Option on an interest rate swap with JPMorgan Chase Bank, N.A. for the right to pay a fixed rate of 4.83% versus the three month USD-LIBOR-BBA maturing on November 10, 2018. | Nov-08/4.83 | 34,218,000 | 265,532 |
|---|-------------|------------|---------|

| | | | |
|---|-------------|------------|-----------|
| Option on an interest rate swap with JPMorgan Chase Bank, N.A. for the right to receive a fixed rate of 5.03% versus the three month USD-LIBOR-BBA maturing on February 16, 2020. | Feb-10/5.03 | 32,120,000 | 1,767,564 |
|---|-------------|------------|-----------|

| | | | |
|---|-------------|------------|-----------|
| Option on an interest rate swap with JPMorgan Chase Bank, N.A. for the right to pay a fixed rate of 5.03% versus the three month USD-LIBOR-BBA maturing on February 16, 2020. | Feb-10/5.03 | 32,120,000 | 1,126,448 |
|---|-------------|------------|-----------|

Total purchased options outstandings (cost \$6,918,548) \$7,774,061

| CONVERTIBLE BONDS AND NOTES (0.1%)* | Principal amount | Value |
|-------------------------------------|------------------|-------|
|-------------------------------------|------------------|-------|

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| | | |
|--|---------------|--------------|
| General Cable Corp. cv. company guaranty sr. unsec. notes 1s, 2012 | \$444,000 | \$341,880 |
| Total convertible bonds and notes (cost \$356,183) | | \$341,880 |
| COMMON STOCKS (□%)* | Shares | Value |
| AboveNet, Inc. □ | 307 | \$17,806 |
| Bohai Bay Litigation, LLC (Units) F | 991 | 14,017 |
| VFB LLC (acquired 10/27/00, cost \$594,553) F □ □ | 948,004 | 19,610 |
| Total common stocks (cost \$605,468) | | \$51,433 |

36

| | | |
|--|---------------|--------------|
| CONVERTIBLE PREFERRED STOCKS (□%)* | Shares | Value |
| Emmis Communications Corp. Ser. A,\$3.125 cum. cv. pfd. | 2,393 | \$40,681 |
| Lehman Brothers Holdings, Inc. Ser. P, 7.25% cv. pfd. (In default) □ | 667 | 667 |
| Total convertible preferred stocks (cost \$738,520) | | \$41,348 |

| | | | | |
|--|------------------------|---------------------|-----------------|--------------|
| WARRANTS (□%)* □ | Expiration date | Strike Price | Warrants | Value |
| AboveNet, Inc. | 9/08/10 | \$24.00 | 118 | \$3,658 |
| Dayton Superior Corp. 144A F | 6/15/09 | .01 | 1,020 | 1,837 |
| New ASAT Finance, Ltd. (Cayman Islands) F | 2/01/11 | .01 | 3,380 | 10 |
| Smurfit Kappa Group PLC 144A (Ireland) | 10/01/13 | EUR .001 | 508 | 11,375 |
| Total warrants (cost \$38,587) | | | | \$16,880 |

| | | |
|--|--------------------------------|----------|
| SHORT-TERM INVESTMENTS (7.8%)* | Principal amount/shares | V |
| Short-term investments held as collateral for loaned securities with yields ranging from 0.50% to 3.01% and due dates ranging from October 1, 2008 to November 10, 2008 d | \$1,183,294 | \$1,182 |
| U.S. Treasury Bills for an effective yield of 0.199%, maturity date October 9, 2008 # | 7,300,000 | 7,299 |
| Federated Prime Obligations Fund | 21,304,670 | 21,304 |
| Egypt Treasury Bill for an effective yield of 10.58%, maturity date December 2, 2008 | EGP 4,500,000 | 810 |

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| | |
|--|----------|
| Total short-term investments (cost \$30,596,533) | \$30,596 |
|--|----------|

TOTAL INVESTMENTS

| | |
|--|-----------|
| Total investments (cost \$522,039,224) | \$482,960 |
|--|-----------|

Key to holding's currency abbreviations

ARS Argentine Peso
AUD Australian Dollar
BRL Brazilian Real
CAD Canadian Dollar
CHF Swiss Franc
EGP Egyptian Pound
EUR Euro
GBP British Pound
INR Indian Rupee
JPY Japanese Yen
MXN Mexican Peso
RUB Russian Ruble
SEK Swedish Krona
TRL Turkish Lira
ZAR South African Rand

* Percentages indicated are based on net assets of \$391,973,353.

□ Non-income-producing security.

□□ The interest rate and date shown parenthetically represent the new interest rate to be paid and the date the fund will begin accruing interest at this rate.

□ Restricted, excluding 144A securities, as to public resale. The total market value of restricted securities held at September 30, 2008 was \$19,610 or less than 0.1% of net assets.

□□ Income may be received in cash or additional securities at the discretion of the issuer.

A portion of this security was pledged and segregated with the custodian to cover margin requirements for futures contracts at September 30, 2008.

c Senior loans are exempt from registration under the Securities Act of 1933, as amended, but contain certain restrictions on resale and cannot be sold publicly. These loans pay interest at rates which adjust periodically. The interest rates shown for senior loans are the current interest rates at September 30, 2008. Senior loans are also subject to mandatory and/or optional prepayment which cannot be predicted. As a result, the remaining maturity may be substantially less than the stated maturity shown (Notes 1 and 6).

d See Note 1 to the financial statements.

F Is valued at fair value following procedures approved by the Trustees.

R Real Estate Investment Trust.

S Securities on loan, in part or in entirety, at September 30, 2008.

U These securities, in part or in entirety, represent unfunded loan commitments (Note 7).

At September 30, 2008, liquid assets totaling \$15,691,457 have been designated as collateral for open forward commitments, swap contracts and forward contracts.

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

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

The rates shown on Floating Rate Bonds (FRB) and Floating Rate Notes (FRN) are the current interest rates at September 30, 2008.

The dates shown on debt obligations are the original maturity dates.

Inverse Floating Rate Bonds (IFB) are securities that pay interest rates that vary inversely to changes in the market interest rates. As interest rates rise, inverse floaters produce less current income. The interest rates shown are the current interest rates at September 30, 2008.

DIVERSIFICATION BY COUNTRY

Distribution of investments by country of issue at September 30, 2008 (as a percentage of Portfolio Value):

| | | | | | |
|----------------|-------|----------------|------|-----------|--------|
| United States | 83.2% | Cayman Islands | 0.7% | Turkey | 0.2% |
| Japan | 4.0 | Brazil | 0.5 | Singapore | 0.1 |
| United Kingdom | 2.6 | Ireland | 0.5 | France | 0.1 |
| Luxembourg | 1.4 | Ecuador | 0.4 | Jamaica | 0.1 |
| Argentina | 1.1 | Mexico | 0.4 | Ghana | 0.1 |
| Canada | 1.0 | Indonesia | 0.3 | Other | 0.2 |
| Colombia | 0.8 | Spain | 0.3 | Total | 100.0% |
| Venezuela | 0.8 | Bermuda | 0.3 | | |
| Netherlands | 0.7 | Ukraine | 0.2 | | |

| FORWARD CURRENCY CONTRACTS TO BUY at 9/30/08 (aggregate face value \$58,606,709) | Value | Aggregate Delivery face value date | Unrealized appreciation/ (depreciation) |
|---|-------------|---------------------------------------|--|
| Australian Dollar | \$9,051,639 | \$10,474,598 10/15/08 | \$(1,422,959) |
| Canadian Dollar | 858,901 | 892,561 10/15/08 | (33,660) |

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| | | | | |
|--------------------|------------|------------|----------|---------------|
| Danish Krone | 255,145 | 257,369 | 12/17/08 | (2,224) |
| Euro | 15,527,187 | 15,803,520 | 12/17/08 | (276,333) |
| Japanese Yen | 2,530,652 | 2,456,216 | 11/19/08 | 74,436 |
| Malaysian Ringgit | 1,805,354 | 1,885,880 | 11/19/08 | (80,526) |
| Mexican Peso | 2,506 | 2,553 | 10/15/08 | (47) |
| Norwegian Krone | 9,407,597 | 9,907,661 | 12/17/08 | (500,064) |
| Polish Zloty | 4,486,977 | 4,384,763 | 12/17/08 | 102,214 |
| South African Rand | 1,196,652 | 1,342,391 | 10/15/08 | (145,739) |
| Swedish Krona | 1,924,840 | 1,978,738 | 12/17/08 | (53,898) |
| Swiss Franc | 9,157,697 | 9,220,459 | 12/17/08 | (62,762) |
| Total | | | | \$(2,401,562) |

| FORWARD CURRENCY CONTRACTS TO SELL at 9/30/08 (aggregate face value \$60,628,924) | Value | Aggregate Delivery face value date | Unrealized appreciation/ (depreciation) |
|--|-------------|---------------------------------------|--|
| Australian Dollar | \$2,895,081 | \$3,002,247 10/15/08 | \$107,166 |
| British Pound | 15,011,737 | 14,856,723 12/17/08 | (155,014) |
| Canadian Dollar | 5,115,638 | 5,215,462 10/15/08 | 99,824 |
| Euro | 13,173,812 | 13,435,764 12/17/08 | 261,952 |
| Hungarian Forint | 3,557,372 | 3,538,549 12/17/08 | (18,823) |
| Japanese Yen | 2,164,093 | 2,148,865 11/19/08 | (15,228) |
| Mexican Peso | 1,585,329 | 1,646,937 10/15/08 | 61,608 |
| Norwegian Krone | 12,044,751 | 12,261,843 12/17/08 | 217,092 |
| South African Rand | 1,196,652 | 1,231,241 10/15/08 | 34,589 |
| Swedish Krona | 3,177,113 | 3,277,939 12/17/08 | 100,826 |
| Swiss Franc | 13,265 | 13,354 12/17/08 | 89 |
| Total | | | \$694,081 |

| FUTURES CONTRACTS OUTSTANDING at 9/30/08 | | | | Unrealized |
|--|-----------|-------------|------------|----------------|
| | Number of | | Expiration | appreciation/ |
| | contracts | Value | date | (depreciation) |
| Australian Government Treasury Bond 10 yr (Long) | 2 | \$1,122,831 | Dec-08 | \$3,026 |
| Canadian Government Bond 10 yr (Long) | 6 | 660,733 | Dec-08 | (8,822) |
| Euro-Bobl 5 yr (Long) | 197 | 30,434,469 | Dec-08 | 293,456 |
| Euro-Bund 10 yr (Short) | 27 | 4,374,812 | Dec-08 | (100,324) |
| Euro-Dollar 90 day (Long) | 19 | 4,585,888 | Dec-08 | (13,022) |
| Euro-Dollar 90 day (Short) | 125 | 30,300,000 | Jun-09 | 64,948 |
| Euro-Dollar 90 day (Short) | 227 | 54,976,563 | Sep-09 | 54,221 |
| Euro-Dollar 90 day (Short) | 617 | 148,943,800 | Dec-09 | 344,897 |
| Euro-Dollar 90 day (Short) | 21 | 5,061,000 | Mar-10 | (4,182) |
| Euro-Schatz 2 yr (Short) | 217 | 31,894,113 | Dec-08 | (263,471) |
| Japanese Government Bond 10 yr (Short) | 17 | 21,991,911 | Dec-08 | 51,941 |
| Sterling Interest Rate 90 day (Long) | 84 | 17,784,223 | Jun-09 | 39,133 |
| Sterling Interest Rate 90 day (Long) | 59 | 12,501,791 | Sep-09 | 50,357 |
| U.K. Gilt 10 yr (Long) | 7 | 1,395,976 | Dec-08 | 1,656 |
| U.S. Treasury Bond 20 yr (Long) | 1553 | 181,967,922 | Dec-08 | 252,432 |
| U.S. Treasury Note 2 yr (Short) | 3905 | 833,473,438 | Dec-08 | (5,512,281) |
| U.S. Treasury Note 5 yr (Short) | 2333 | 261,842,797 | Dec-08 | (1,365,383) |
| U.S. Treasury Note 10 yr (Long) | 39 | 4,470,375 | Dec-08 | (38,060) |
| Total | | | | \$(6,149,478) |

| WRITTEN OPTIONS OUTSTANDING at 9/30/08 (premiums received \$2,141,204) | Contract Expiration date/ amount strike price | Value |
|--|--|-------|
|--|--|-------|

Option on an interest rate swap with JPMorgan Chase Bank, N.A. for the obligation

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to pay a fixed rate of 5.00% versus the three month USD-LIBOR-BBA maturing on December 19, 2018. \$1,060,000 Dec-08/5.00 \$50,657

Option on an interest rate swap with JPMorgan Chase Bank, N.A. for the obligation to receive a fixed rate of 5.00% versus the three month USD-LIBOR-BBA maturing on December 19, 2018. 1,060,000 Dec-08/5.00 10,123

Option on an interest rate swap with JPMorgan Chase Bank, N.A. for the obligation to pay a fixed rate of 5.51% versus the three month USD-LIBOR-BBA maturing on May 14, 2022. 25,011,500 May-12/5.51 1,925,886

Option on an interest rate swap with JPMorgan Chase Bank, N.A. for the obligation to receive a fixed rate of 5.51% versus the three month USD-LIBOR-BBA maturing on May 14, 2022. 25,011,500 May-12/5.51 1,025,972

Option on an interest rate swap with JPMorgan Chase Bank, N.A. for the obligation to receive a fixed rate of 4.82% versus the three month USD-LIBOR-BBA maturing on September 12, 2018. 1,469,000 Sept-13/4.82 55,602

Option on an interest rate swap with JPMorgan Chase Bank, N.A. for the obligation to pay a fixed rate of 4.82% versus the three month USD-LIBOR-BBA maturing on September 12, 2018. 1,469,000 Sept-13/4.82 49,020

Total \$3,117,260

| TBA SALE COMMITMENTS OUTSTANDING at 9/30/08 (proceeds receivable \$11,189,844) | Principal Settlement amount date | Value |
|--|----------------------------------|--------------|
| Agency | | |
| FNMA, 6s, October 1, 2038 | \$8,000,000 10/14/08 | \$8,096,250 |
| FNMA, 5 1/2s, October 1, 2038 | 3,000,000 10/14/08 | 2,987,813 |
| Total | | \$11,084,063 |

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INTEREST RATE SWAP CONTRACTS OUTSTANDING at 9/30/08

| Swap counterparty | Notional amount | Upfront premium received (paid) date | Termination date | Payments made by fund per annum | Payments received by fund per annum | Unrealized ap (de |
|-----------------------|-----------------|--------------------------------------|------------------|---------------------------------|-------------------------------------|-------------------|
| Bank of America, N.A. | \$4,400,000 | \$1/27/14 | | 4.35% | 3 month USD-LIBOR-BBA | |
| | 16,800,000 | 3/30/09 | | 3.075% | 3 month USD-LIBOR-BBA | |

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| | | | | |
|-----------------------|---------------------|----------------|--------------------------|-----------------------|
| | 32,178,000 | 5/23/10 | 3 month USD-LIBOR-BBA | 3.155% |
| | 23,500,000 | 7/18/13 | 4.14688% | 3 month USD-LIBOR-BBA |
| | 3,000,000 | 7/29/18 | 3 month USD-LIBOR-BBA | 4.75% |
| | 12,570,000 | 8/26/18 | 3 month USD-LIBOR-BBA | 4.54375% |
| | 20,480,000 E | 8/28/28 | 5.3175% | 3 month USD-LIBOR-BBA |
| | 5,930,000 E | 9/4/28 | 5.2375% | 3 month USD-LIBOR-BBA |
| | 215,046,000 | 9/10/10 | 3 month USD-LIBOR-BBA | 3.22969% |
| | 18,200,000 E | 9/17/28 | 3 month USD-LIBOR-BBA | 4.9775% |
| | 12,570,000 E | 9/18/28 | 3 month USD-LIBOR-BBA | 4.765% |
| | 7,133,000 | 9/18/38 | 4.36125% | 3 month USD-LIBOR-BBA |
| | 621,434,000 | 9/18/10 | 3 month USD-LIBOR-BBA | 2.86667% |
| | 2,000,000 | 9/19/18 | 3 month USD-LIBOR-BBA | 4.07% |
| | 13,250,000 | 9/26/38 | 3 month USD-LIBOR-BBA | 4.725% |
| | 5,076,000 | 15,845 10/1/18 | 3 month USD-LIBOR-BBA | 4.30% |
| | 55,642,000 | 9/24/09 | 3 month USD-LIBOR-BBA | 4.7375% |
| | 10,000,000 | 9/1/15 | 3 month USD-LIBOR-BBA | 4.53% |
| | 11,889,000 | 5/8/28 | 4.95% | 3 month USD-LIBOR-BBA |
| <i>Citibank, N.A.</i> | | | | |
| JPY | 1,134,000,000 | 9/11/16 | 1.8675% | 6 month JPY-LIBOR-BBA |
| | \$42,130,000 | 9/29/13 | 5.078% | 3 month USD-LIBOR-BBA |
| | 28,000,000 | 7/21/18 | 4.80625% | 3 month USD-LIBOR-BBA |
| MXN | 33,510,000 F | 7/18/13 | 1 month MXN-TIIE-BANXICO | 9.175% |
| MXN | 10,055,000 F | 7/22/13 | 1 month MXN-TIIE-BANXICO | 9.21% |
| CAD | 3,400,000 | 8/8/18 | 4.119% | 3 month CAD-BA-CDOR |
| AUD | 9,435,000 E | 8/13/18 | 6 month AUD-BBR-BBSW | 6.67% |

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| | | | | |
|------------------------------------|---------------|----------|-----------------------------|-------------------------|
| | \$29,007,000 | 03/26/10 | 3 month USD-LIBOR-BBA | 3.34125% |
| ZAR | 17,770,000 F | 03/27/13 | 9.86% | 3 month ZAR-JIBAR-SAFEX |
| ZAR | 8,885,000 F | 09/2/13 | 9.97% | 3 month ZAR-JIBAR-SAFEX |
| | \$3,726,000 | 09/8/18 | 3 month USD-LIBOR-BBA | 4.3152% |
| | 49,031,000 | 09/10/10 | 3 month USD-LIBOR-BBA | 3.1825% |
| AUD | 3,800,000 E | 09/11/18 | 6.1% | 6 month AUD-BBR-BBSW |
| | \$95,602,000 | 09/17/13 | 3 month USD-LIBOR-BBA | 3.4975% |
| | 6,895,000 | 09/18/38 | 4.45155% | 3 month USD-LIBOR-BBA |
| | 302,431,000 | 09/18/10 | 3 month USD-LIBOR-BBA | 2.92486% |
| EUR | 8,480,000 | 09/25/38 | 6 month EUR-EURIBOR-Reuters | 4.9425% |
| | \$24,650,000 | 07/27/09 | 5.504% | 3 month USD-LIBOR-BBA |
| | 54,651,000 | 10/26/12 | 4.6275% | 3 month USD-LIBOR-BBA |
| | 14,112,000 | 11/9/09 | 4.387% | 3 month USD-LIBOR-BBA |
| | 14,501,000 | 11/9/17 | 5.0825% | 3 month USD-LIBOR-BBA |
| | 37,608,000 | 11/23/17 | 4.885% | 3 month USD-LIBOR-BBA |
| <i>Citibank, N.A., London</i> | | | | |
| JPY | 1,300,000,000 | 02/10/16 | 6 month JPY-LIBOR-BBA | 1.755% |
| <i>Credit Suisse International</i> | | | | |
| CHF | 4,730,000 | 03/13/18 | 6 month CHF-LIBOR-BBA | 3.3175% |
| CHF | 20,910,000 | 03/15/10 | 2.59% | 6 month CHF-LIBOR-BBA |
| CHF | 20,910,000 | 03/15/10 | 2.6625% | 6 month CHF-LIBOR-BBA |
| CHF | 4,730,000 | 03/14/18 | 6 month CHF-LIBOR-BBA | 3.3% |
| | \$563,000 | 03/29/12 | 5.04556% | 3 month USD-LIBOR-BBA |
| EUR | 6,340,000 E | 03/13/28 | 6 month EUR-EURIBOR-Reuters | 5.22% |

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INTEREST RATE SWAP CONTRACTS OUTSTANDING at 9/30/08 *cont.*

| Swap counterparty | Notional amount | Upfront premium received (paid) | Termination date | Payments made by fund per annum | Payments received by fund per annum | Unrealized (|
|--|-----------------------|--|---------------------|------------------------------------|--|-----------------|
| <i>Credit Suisse International cont.</i> | | | | | | |
| | \$9,550,000 E | | 3/13/28 | 5.46% | 3 month USD-LIBOR-BBA | |
| | 11,827,400 | | 9/16/10 | 3.143% | 3 month USD-LIBOR-BBA | |
| | 9,182,600 | | 9/16/18 | 4.299% | 3 month USD-LIBOR-BBA | |
| | 4,042,000 | | 9/18/38 | 4.41338% | 3 month USD-LIBOR-BBA | |
| | 124,287,000 | | 9/18/10 | 3 month USD-LIBOR-BBA | 2.91916% | |
| | 3,709,000 | | 9/19/13 | 3.635% | 3 month USD-LIBOR-BBA | |
| | 13,961,000 F | | 9/23/10 | 3 month USD-LIBOR-BBA | 3.32% | |
| SEK | 37,490,000 | | 9/29/18 | 4.80% | 3 month SEK-STIBOR-SIDE | |
| EUR | 3,880,000 | | 9/29/18 | 6 month EUR-EURIBOR-Reuters | 4.85% | |
| SEK | 9,372,500 | | 9/30/18 | 4.76% | 3 month SEK-STIBOR-SIDE | |
| EUR | 970,000 | | 9/30/18 | 6 month EUR-EURIBOR-Reuters | 4.81% | |
| | \$18,615,000 F | | 9/23/38 | 4.7375% | 3 month USD-LIBOR-BBA | |
| <i>Deutsche Bank AG</i> | | | | | | |
| | 9,268,000 | | 9/23/38 | 4.75% | 3 month USD-LIBOR-BBA | |
| EUR | 9,268,000 | | 9/24/38 | 6 month EUR-EURIBOR-Reuters | 4.977% | |
| ZAR | 12,120,000 | | 7/6/11 | 3 month ZAR-JIBAR-SAFEX | 9.16% | |
| | \$2,307,000 | | 10/16/17 | 3 month USD-LIBOR-BBA | 5.297% | |
| | 1,590,000 | | 11/7/17 | 3 month USD-LIBOR-BBA | 5.056% | |
| <i>Goldman Sachs International</i> | | | | | | |
| SEK | 88,030,000 E | | 3/2/11 | 3 month SEK-STIBOR-SIDE | 4.2475% | |
| SEK | 21,090,000 E | | 3/4/19 | 4.80% | 3 month SEK-STIBOR-SIDE | |

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| | | | | |
|-----|----------------|---------|-----------------------------|-----------------------|
| | \$24,463,000 | 3/11/38 | 5.029% | 3 month USD-LIBOR-BBA |
| EUR | 23,940,000 | 3/26/10 | 6 month EUR-EURIBOR-Reuters | 4.129% |
| GBP | 19,950,000 | 3/29/10 | 6 month GBP-LIBOR-BBA | 5.25% |
| GBP | 4,830,000 | 3/27/18 | 5.0675% | 6 month GBP-LIBOR-BBA |
| | \$12,358,000 | 4/2/18 | 4.076% | 3 month USD-LIBOR-BBA |
| | 30,676,000 | 4/3/18 | 3 month USD-LIBOR-BBA | 4.19% |
| CHF | 31,980,000 | 4/5/10 | 2.89% | 6 month CHF-LIBOR-BBA |
| CHF | 7,290,000 | 4/3/18 | 6 month CHF-LIBOR-BBA | 3.42% |
| | \$120,229,000 | 4/8/10 | 3 month USD-LIBOR-BBA | 2.64% |
| CHF | 10,190,000 | 4/1/10 | 2.9% | 6 month CHF-LIBOR-BBA |
| CHF | 2,310,000 | 4/2/18 | 6 month CHF-LIBOR-BBA | 3.44% |
| | \$13,189,000 | 4/23/18 | 4.43% | 3 month USD-LIBOR-BBA |
| | 17,383,000 | 5/19/18 | 4.525% | 3 month USD-LIBOR-BBA |
| | 73,300,000 | 3/10/10 | 4.779% | 3 month USD-LIBOR-BBA |
| JPY | 3,156,260,000 | 5/7/10 | 6 month JPY-LIBOR-BBA | 1.09125% |
| JPY | 694,380,000 E | 5/7/18 | 2.205% | 6 month JPY-LIBOR-BBA |
| JPY | 743,800,000 | 6/10/16 | 1.953% | 6 month JPY-LIBOR-BBA |
| | \$80,600,000 E | 3/8/12 | 3 month USD-LIBOR-BBA | 4.99% |
| | 2,068,000 | 9/14/14 | 4.906% | 3 month USD-LIBOR-BBA |
| | 1,009,000 | 9/14/17 | 5.0625% | 3 month USD-LIBOR-BBA |
| | 48,973,100 | 9/19/09 | 3 month USD-LIBOR-BBA | 4.763% |
| | 93,857,600 | 9/21/09 | 3 month USD-LIBOR-BBA | 4.60% |
| | 26,170,900 | 9/21/17 | 5.149% | 3 month USD-LIBOR-BBA |
| GBP | 1,990,000 E | 1/7/38 | 4.33625% | 6 month GBP-LIBOR-BBA |

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JPMorgan Chase Bank, N.A.

| | | | | |
|--|---------------|---------|-----------------------|-----------------------|
| | \$112,807,000 | 4/27/09 | 5.034% | 3 month USD-LIBOR-BBA |
| | | 2/5/18 | 3 month USD-LIBOR-BBA | 4.28% |
| | 4,665,000 | 3/7/18 | 4.45% | 3 month USD-LIBOR-BBA |
| | 17,121,000 | 3/12/18 | 3 month USD-LIBOR-BBA | 4.4525% |
| | 15,289,000 | 3/11/38 | 5.0025% | 3 month USD-LIBOR-BBA |

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INTEREST RATE SWAP CONTRACTS OUTSTANDING at 9/30/08 cont.

| Swap counterparty | Notional amount | Upfront premium received (paid) | Termination date | Payments made by fund per annum | Payments received by fund per annum | Unrealized appreciation (depreciation) |
|---------------------------------|-----------------|---------------------------------|------------------|---------------------------------|-------------------------------------|--|
| JPMorgan Chase Bank, N.A. cont. | \$84,261,000 | | 3/14/18 | 4.775% | 3 month USD-LIBOR-BBA | \$(2,000,000) |
| | 35,403,000 | | 3/20/13 | 3 month USD-LIBOR-BBA | 3.145% | (1,200,000) |
| | 69,999,000 | | 3/26/10 | 3 month USD-LIBOR-BBA | 2.33375% | (900,000) |
| | 8,000,000 | | 3/6/16 | 3 month USD-LIBOR-BBA | 5.176% | 400,000 |
| | 26,533,000 | | 4/8/13 | 3 month USD-LIBOR-BBA | 3.58406% | (200,000) |
| | 53,631,000 | | 5/23/10 | 3 month USD-LIBOR-BBA | 3.16% | 1,000,000 |
| | 18,000,000 | | 6/13/13 | 4.47% | 3 month USD-LIBOR-BBA | (500,000) |
| | 12,060,000 | | 10/10/13 | 5.054% | 3 month USD-LIBOR-BBA | (700,000) |
| | 16,780,000 | | 10/10/13 | 5.09% | 3 month USD-LIBOR-BBA | (1,000,000) |
| | 2,000,000 | | 6/27/18 | 3 month USD-LIBOR-BBA | 4.8305% | |
| | 6,423,000 | | 7/16/10 | 3 month USD-LIBOR-BBA | 3.384% | |
| | 3,400,000 | | 7/17/18 | 4.52% | 3 month USD-LIBOR-BBA | |
| | 19,148,000 | | 7/22/10 | 3 month USD-LIBOR-BBA | 3.565% | |

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| | | | | | |
|-----|-----------------------|----------|--------------------------|----------|----------------------------|
| MXN | 33,510,000 F | 7/19/13 | 1 month MXN-TIIE-BANXICO | 9.235% | |
| | \$49,717,000 | 7/28/10 | 3 month USD-LIBOR-BBA | 3.5141% | |
| AUD | 19,160,000 EF | 8/6/18 | 6 month AUD-BBR-BBSW | 6.865% | |
| CAD | 6,510,000 | 8/5/18 | 4.172% | | 6 month CAD-BA-CDOR |
| | \$17,500,000 E | 8/20/28 | 5.37% | | 3 month USD-LIBOR-BBA (3 |
| ZAR | 11,390,000 F | 8/27/13 | 9.86% | | 3 month ZAR-JIBAR-SAFEX |
| AUD | 9,435,000 EF | 9/2/18 | 6.53% | | 6 month AUD-BBR-BBSW (|
| ZAR | 5,695,000 F | 9/8/13 | 9.95% | | 3 month ZAR-JIBAR-SAFEX |
| ZAR | 11,390,000 F | 9/9/13 | 9.94% | | 3 month ZAR-JIBAR-SAFEX (|
| | \$17,500,000 E | 9/17/28 | 3 month USD-LIBOR-BBA | 4.9675% | (|
| JPY | 8,737,320,000 | 9/18/15 | 6 month JPY-LIBOR-BBA | 1.19% | (1,6 |
| JPY | 32,620,000 | 9/18/38 | 2.17% | | 6 month JPY-LIBOR-BBA |
| | \$17,560,000 | 9/23/38 | 4.70763% | | 3 month USD-LIBOR-BBA (|
| | 30,000,000 | 6/17/15 | 3 month USD-LIBOR-BBA | 4.5505% | 8 |
| | 8,700,000 | 8/13/12 | 3 month USD-LIBOR-BBA | 5.2% | 4 |
| | 3,583,000 | 8/29/17 | 5.2925% | | 3 month USD-LIBOR-BBA (2 |
| | 1,255,000 | 8/29/17 | 5.263% | | 3 month USD-LIBOR-BBA (|
| | 19,633,000 | 9/11/27 | 5.27% | | 3 month USD-LIBOR-BBA (1,5 |
| | 22,964,000 | 5/4/16 | 5.62375% | | 3 month USD-LIBOR-BBA (2,3 |
| JPY | 7,460,000,000 | 6/6/13 | 1.83% | | 6 month JPY-LIBOR-BBA (1,7 |
| | \$93,857,600 | 9/21/09 | 3 month USD-LIBOR-BBA | 4.6125% | 1,3 |
| | 26,170,900 | 9/21/17 | 5.15% | | 3 month USD-LIBOR-BBA (1,4 |
| | 1,540,000 | 9/27/17 | 5.2335% | | 3 month USD-LIBOR-BBA (|
| | 58,733,000 | 10/30/12 | 4.68375% | | 3 month USD-LIBOR-BBA (2,4 |
| | 890,000 | 11/7/17 | 3 month USD-LIBOR-BBA | 5.05771% | |

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| | | | | | |
|---|-------------|----------|-----------------------|-----------------------|-------|
| | 14,112,000 | 11/9/09 | 4.3975% | 3 month USD-LIBOR-BBA | (3) |
| | 14,501,000 | 11/9/17 | 5.0895% | 3 month USD-LIBOR-BBA | (9) |
| | 84,001,000 | 11/30/17 | 4.705% | 3 month USD-LIBOR-BBA | (2.8) |
| | 33,996,000 | 12/11/17 | 3 month USD-LIBOR-BBA | 4.65% | 9 |
| | 16,700,000 | 8/4/16 | 3 month USD-LIBOR-BBA | 5.5195% | 1, |
| | 25,100,000 | 9/2/15 | 3 month USD-LIBOR-BBA | 4.4505% | : |
| | 78,868,000 | 1/31/18 | 3 month USD-LIBOR-BBA | 4.25% | (1,0) |
| <i>Merrill Lynch Capital Services, Inc.</i> | | | | | |
| | 54,651,000 | 10/26/12 | 4.6165% | 3 month USD-LIBOR-BBA | (2,1) |
| | 18,938,000 | 5/19/10 | 3.2925% | 3 month USD-LIBOR-BBA | (1) |
| | 23,910,000 | 7/22/10 | 3 month USD-LIBOR-BBA | 3.5375% | : |
| JPY | 743,800,000 | 6/10/16 | 1.99625% | 6 month JPY-LIBOR-BBA | (2) |

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INTEREST RATE SWAP CONTRACTS OUTSTANDING at 9/30/08 *cont.*

| Swap counterparty | Notional amount | Upfront premium received (paid) | Termination date | Payments made by fund per annum | Payments received by fund per annum | Unrealized apprx (depr) |
|--|--------------------|--|---------------------|------------------------------------|--|----------------------------|
| <i>Merrill Lynch Derivative Products AG</i> | | | | | | |
| JPY | 371,900,000 | | 6/11/17 | 2.05625% | 6 month JPY-LIBOR-BBA | \$(|
| <i>Morgan Stanley Capital Services, Inc.</i> | | | | | | |
| GBP | 7,660,000 | | 8/28/18 | 5.065% | 6 month GBP-LIBOR-BBA | |
| GBP | 31,830,000 | | 8/29/10 | 6 month GBP-LIBOR-BBA | 5.21% | (|
| | \$448,000 | | 8/29/17 | 5.26021% | 3 month USD-LIBOR-BBA | |
| EUR | 9,871,000 | | 8/13/18 | 6 month EUR-EURIBOR-Reuters | 4.761% | |
| Total | | | | | | \$(44, |

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E See Note 1 to the financial statements regarding extended effective dates.

F Is valued at fair value following procedures approved by the Trustees.

TOTAL RETURN SWAP CONTRACTS OUTSTANDING at 9/30/08

| Swap counterparty | Notional amount | Termination date | Fixed payments received (paid) by fund per annum | Total return received by or paid by fund |
|---------------------------------------|-----------------|-------------------|---|--|
| <i>Bank of America, N.A.</i> | \$23,496,000 | 1F 11/1/08 | Banc of America Securities AAA 10 year Index multiplied by the modified duration factor minus 20 bp | The spread return of Banc of America Securities CMBS AAA 10 year Index |
| <i>Goldman Sachs International</i> | 1,345,000 | 9/15/11 | 678 bp (1 month USD-LIBOR-BBA) | Ford Credit Auto Owner Trust Series 2005-B Class D |
| | EUR 19,720,000 | 3/26/09 | (2.27%) | Eurostat Eurozone HICP excluding tobacco |
| | EUR 9,600,000 | 4/30/13 | 2.375% | French Consumer Price Index excluding tobacco |
| | EUR 9,600,000 | 4/30/13 | (2.41%) | Eurostat Eurozone HICP excluding tobacco |
| | EUR 9,600,000 | 5/6/13 | 2.34% | French Consumer Price Index excluding tobacco |
| | EUR 9,600,000 | 5/6/13 | (2.385%) | Eurostat Eurozone HICP excluding tobacco |
| | GBP 5,760,000 | 5/9/13 | 3.10% | GBP Non-revised Retail Price Index |
| | GBP 1,433,000 | F 1/7/38 | 3.485% | GBP Non-revised UK Retail Price Index excluding tobacco |
| | GBP 1,912,000 | 1/7/18 | (3.11%) | GBP Non-revised UK Retail Price Index excluding tobacco |
| <i>Merrill Lynch Capital Services</i> | \$68,804,968 | 10/14/08 | (2.87%) 5.00% | FNMA 5.00% 30 YR TBA |
| <i>UBS AG</i> | 133,000,000 | 10/14/08 | (2.87%) 5.50% | FNMA 5.50% 30 YR TBA |

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Total

F Is valued at fair value following procedures approved by the Trustees.

1 Fund receives the net fixed and total return payment if positive and pays the net fixed and total return payment if negative.

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| CREDIT DEFAULT CONTRACTS OUTSTANDING at 9/30/08 | | | | | |
|---|-----------------------------------|-----------------|------------------|--|--|
| Swap counterparty / Referenced debt* | Upfront premium received (paid)** | Notional amount | Termination date | Fixed payments received (paid) by fund per annum | Unrealized appreciation (depreciation) |
| <i>Bank of America, N.A.</i> | | | | | |
| Abitibowater Inc., 6 1/2%, 6/15/13 | \$□ | \$125,000 | 12/20/08 | 550 bp | \$4 |
| Clear Channel Communications, 5 3/4%, 1/15/13 | □ | 345,000 | 9/20/09 | 635 bp | (500) |
| DJ ABX NA CMBX BBB Index | 138 | 200,000 | 10/12/52 | (134 bp) | 92,77 |
| DJ CDX NA HY Series 9 Index | 10,139 | 5,407,380 | 12/20/12 | (375 bp) | 657,74 |
| Financial Security Assurance Inc. | □ | 555,000 | 12/20/12 | 95 bp | (161,11) |
| Lehman Brothers Holdings, 6 5/8%, 1/18/12 | □ | 1,205,000 | 9/20/13 | 269 bp | (1,017,41) |
| Nalco, Co. 7.75%, 11/15/11 | □ | 80,000 | 9/20/12 | 350 bp | (1,24) |
| Visteon Corp., 7%, 3/10/14 | (127,500) | 480,000 | 9/20/13 | (500 bp) | 103,80 |
| <i>Barclays Bank PLC</i> | | | | | |
| Peru CD | □ | 1,462,116 | 1/7/09 | 170 bp | 18,57 |
| Peru CD | □ | 1,387,940 | 11/10/08 | 170 bp | 17,12 |
| <i>Bear Stearns Credit Products, Inc.</i> | | | | | |
| Claire's Stores, 9 5/8%, 6/1/15 | □ | 70,000 | 6/20/12 | 230 bp | (20,75) |
| <i>Citibank, N.A.</i> | | | | | |
| Abitibowater Inc., 6 1/2%, 6/15/13 | □ | 125,000 | 12/20/08 | 725 bp | 60 |
| Abitibowater Inc., 6 1/2%, 6/15/13 | □ | 125,000 | 12/20/08 | 800 bp | 84 |
| Abitibowater Inc., 6 1/2%, 6/15/13 | □ | 125,000 | 12/20/08 | 825 bp | 92 |
| Advanced Micro Devices Inc., 7.75%, 11/1/12 | □ | 2,155,000 | 3/20/09 | 575 bp | (130,51) |
| DJ ABX HE A Index | 2,450,210 | 3,451,000 | 1/25/38 | 369 bp | (696,70) |

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| | | | | | |
|---|-----------|-------------|----------|------------|---------|
| DJ ABX HE AAA Index | 171,737 | 906,388 | 5/25/46 | 11 bp | 40,19 |
| DJ ABX HE AAA Index | 717,663 | 3,892,880 | 5/25/46 | 11 bp | 152,70 |
| DJ ABX HE AAA Index | 600,474 | 2,070,600 | 1/25/38 | 76 bp | (423,02 |
| DJ ABX NA HE AAA Index | 105,675 | 977,438 | 7/25/45 | 18 bp | 25,06 |
| DJ ABX NA HE AAA Index | 355,160 | 4,198,033 | 7/25/45 | 18 bp | 8,94 |
| DJ ABX NA HE AAA Index | 465,426 | 4,223,270 | 7/25/45 | 18 bp | 100,70 |
| DJ ABX NA HE PEN AAA Index | 611,503 | 4,437,433 | 5/25/46 | 11 bp | (32,48 |
| DJ ABX NA HE PEN AAA Index | 686,668 | 4,197,110 | 5/25/46 | 11 bp | 87,89 |
| Freescale Semiconductor, 8 7/8%, 12/15/14 | □ | 220,000 | 9/20/12 | 495 bp | (32,93 |
| Lear Corp., term loan | □ | 265,000 | F6/20/13 | (225 bp) | 35,23 |
| Lear Corp., term loan | □ | 265,000 | F6/20/13 | 700 bp | (5,14 |
| Republic of Argentina, 8.28%, 12/31/33 | □ | 330,000 | F9/20/13 | (1,170 bp) | (17,55 |
| Republic of Argentina, 8.28%, 12/31/33 | □ | 330,000 | 9/20/13 | (945 bp) | 7,30 |
| Republic of Venezuela, 9 1/4%, 9/15/27 | □ | 300,000 | F9/20/13 | 940 bp | 5,56 |
| Sanmina-Sci Corp., 8 1/8%, 3/1/16 | □ | 265,000 | 6/20/13 | 585 bp | (6,26 |
| Sanmina-Sci Corp., 8 1/8%, 3/1/16 | □ | 50,000 | 3/20/09 | 275 bp | (3 |
| Sara Lee Corp., 6 1/8%, 11/1/32 | □ | 300,000 | 9/20/11 | (43 bp) | 13 |
| Seat Pagine Gialle S.P.A., 8%, 4/30/14 | □EUR | 495,000 | 3/20/13 | 815 bp | (99,70 |
| Wind Acquisition 9 3/4%, 12/1/15 | □EUR | 240,000 | 3/20/13 | (495 bp) | 8,20 |
| <i>Credit Suisse First Boston International</i> Ukraine Government, 7.65%, 6/11/13 | □ | \$1,105,000 | 10/20/11 | 194 bp | (128,09 |
| <i>Credit Suisse International</i> Advanced Micro Devices, 7 3/4%, 11/1/12 | □ | 210,000 | 6/20/09 | 165 bp | (24,99 |
| DJ ABX HE AAA Index | 292,504 | 1,503,147 | 5/25/46 | 11 bp | 85,84 |
| DJ ABX NA HE AAA Index | 1,595,625 | 2,875,000 | 1/25/38 | 76 bp | 186,87 |
| DJ CDX NA HY Series 10 | 203,700 | 1,940,000 | 6/20/13 | 500 bp | 15,07 |

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|--------------------------|-----------|------------|----------|----------|---------|
| DJ CDX NA HY Series 10 | 1,402,500 | 13,200,000 | 6/20/13 | 500 bp | 119,06 |
| DJ CDX NA IG Series 10 | 1,356,745 | 65,710,000 | 6/20/13 | 155 bp | 986,63 |
| DJ CMB NA CMBX AA Index | (17,979) | 45,000 | F2/17/51 | (165 bp) | (5,50) |
| DJ CMB NA CMBX AA Index | (217,053) | 971,000 | 10/12/52 | (25 bp) | (36,60) |
| DJ CMB NA CMBX AAA Index | 154,461 | 928,000 | 12/13/49 | 8 bp | 60,73 |
| DJ CMB NA CMBX AAA Index | 769,810 | 4,914,000 | 2/17/51 | 35 bp | 333,77 |
| DJ CMB NA CMBX AAA Index | 722,002 | 5,583,000 | 2/17/51 | 35 bp | 226,56 |
| DJ CMB NA CMBX AAA Index | 739,618 | 5,583,000 | 2/17/51 | 35 bp | 244,17 |
| DJ CMB NA CMBX AAA Index | 622,000 | 5,583,000 | 2/17/51 | 35 bp | 126,55 |
| DJ CMB NA CMBX AAA Index | 188,449 | 1,396,000 | 2/17/51 | 35 bp | 64,56 |

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CREDIT DEFAULT CONTRACTS OUTSTANDING at 9/30/08 *cont.*

| Swap counterparty / Referenced debt* | Upfront premium received (paid)** | Notional amount | Termination date | Fixed payments received (paid) by fund per annum | Unrealized appreciation (depreciation) |
|--|-----------------------------------|-----------------|------------------|--|--|
| <i>Credit Suisse International cont.</i> | | | | | |
| DJ CMB NA CMBX AAA Index | \$785,303 | \$6,889,000 | 2/17/51 | 35 bp | \$ 173 |
| DJ CMB NA CMBX AAA Index | (99,505) | 1,267,000 | 2/17/51 | (35 bp) | 10 |
| DJ CMB NA CMBX AAA Index | (47,211) | 633,000 | 2/17/51 | (35 bp) | 8 |
| Dynegy Holdings Inc., 6 7/8%, 4/1/11 | □ | 150,000 | 6/20/17 | 297 bp | (30, |
| Freeport-McMoRan Copper & Gold, Inc., bank term loan | □ | 600,000 | 3/20/12 | 41 bp | (6, |
| Freeport-McMoRan Copper & Gold, Inc., bank term loan | □ | 597,100 | 3/20/12 | (82 bp) | (|
| Harrahs Operating Co. Inc., 5 5/8%, 6/1/15 | □ | 165,000 | 3/20/09 | 600 bp | (5, |
| MediaCom LLC/ Cap Corp., 9 1/2%, 1/15/13 | □ | 95,000 | 9/20/13 | 735 bp | (1, |
| MediaCom LLC/ Cap Corp., 9 1/2%, 1/15/13 | □ | 34,000 | 6/20/13 | 725 bp | (|
| Republic of Peru, 8 3/4%, 11/21/33 | □ | 610,000 | 4/20/17 | 125 bp | (39, |

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|---|--------------|-------------|-----------|----------|-------|
| <i>Deutsche Bank AG</i> | | | | | |
| DJ ABX NA HE A Index | 1,361,360 | 1,496,000 | 1/25/38 | 369 bp | |
| DJ ABX NA HE AAA Index | 98,964 | 941,524 | 7/25/45 | 18 bp | 21 |
| DJ ABX NA HE AAA Index | 229,183 | 2,979,875 | 7/25/45 | 18 bp | (16, |
| DJ ABX NA HE PEN AAA Index | 608,711 | 4,437,433 | 5/25/46 | 11 bp | (31, |
| DJ CDX NA IG Series 10 | 1,330,460 | 58,690,000 | 6/20/13 | 155 bp | 999 |
| DJ CDX NA IG Series 10 | 1,391,413 | 59,270,000 | 6/20/13 | 155 bp | 1,057 |
| DJ iTraxx Europe Series 8 Version 1 | (57,074) EUR | 595,000 | 12/20/12 | (375 bp) | 3 |
| DJ iTraxx Europe Series 9 Version 1 | 164,972 EUR | 2,415,000 | 6/20/13 | (650 bp) | 90 |
| General Electric Capital Corp., 6%, 6/15/12 | □ | \$300,000 | 9/20/13 | 109 bp | (49, |
| Grohe Holding GmBh, 8 5/8%, 10/1/14 | □EUR | 140,000 | 6/20/09 | 400 bp | (|
| Grohe Holding GmBh, 8 5/8%, 10/1/14 | □EUR | 505,000 | 6/20/09 | 400 bp | (3, |
| India Government Bond, 5.87%, 1/2/10 | □ | \$5,800,000 | F1/11/10 | 170 bp | 24 |
| iStar Financial, Inc., 6%, 12/15/10 | 26,662 | 395,000 | 3/20/09 | 500 bp | (15, |
| Korea Monetary STAB Bond, 5%, 2/14/09 | □ | 1,365,000 | 2/23/09 | 105 bp | 2 |
| Korea Monetary STAB Bond, 5.04%, 1/24/09 | □ | 1,105,000 | 2/2/09 | 130 bp | 3 |
| Korea Monetary STAB Bond, 5.15%, 2/12/10 | □ | 1,365,000 | F2/19/10 | 115 bp | 4 |
| Malaysian Government, 6.844%, 10/1/09 | □ | 1,684,000 | 10/1/09 | 90 bp | (1, |
| Nalco, Co. 7.75%, 11/15/11 | □ | 70,000 | 12/20/12 | 363 bp | (|
| Republic of Argentina, 8.28%, 12/31/33 | □ | 660,000 | 8/20/12 | (380 bp) | 117 |
| Republic of Brazil, 12 1/4%, 3/6/30 | □ | 775,000 | 10/20/17 | 105 bp | (60, |
| Republic of China, zero coupon, 12/5/08 | □ | 2,275,000 | F12/12/08 | 115 bp | 14 |
| Republic of Indonesia, 6.75%, 2014 | □ | 575,000 | 9/20/16 | 292 bp | (35, |
| Republic of Peru, 8 3/4%, 11/21/33 | □ | 610,000 | 4/20/17 | 126 bp | (39, |
| Republic of South Korea, 5.45%, 1/23/10 | □ | 870,000 | F2/1/10 | 101 bp | 1 |

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|--|-----------|-------------|-------------------|-----------|---------|
| Republic of Turkey, 11 7/8%, 1/15/30 | □ | 920,000 | 6/20/14 | 195 bp | (49, |
| Republic of Venezuela, 9 1/4%, 9/15/27 | □ | 595,000 | 6/20/14 | 220 bp | (144, |
| Republic of Venezuela, 9 1/4%, 9/15/27 | □ | 300,000 | 9/20/13 | 940 bp | 6 |
| Smurfit Kappa Funding, 10 1/8%, 10/1/12 | □EUR | 415,000 | 6/20/09 | 135 bp | (5, |
| Smurfit Kappa Funding, 7 3/4%, 4/1/15 | □EUR | 425,000 | 9/20/13 | 715 bp | (20, |
| United Mexican States, 7.5%, 4/8/33 | □ | \$1,495,000 | 3/20/14 | 56 bp | (68, |
| United Mexican States, 7.5%, 4/8/33 | □ | 550,000 | 4/20/17 | 66 bp | (39, |
| Virgin Media Finance PLC, 8 3/4%, 4/15/14 | □EUR | 400,000 | 9/20/13 | 477 bp | (37, |
| Virgin Media Finance PLC, 8 3/4%, 4/15/14 | □EUR | 400,000 | 9/20/13 | 535 bp | (26, |
| <i>Goldman Sachs International</i> | | | | | |
| Advanced Micro Devices, 7 3/4%, 11/1/12 | □ | \$375,000 | 3/20/09 | 515 bp | (23, |
| Any one of the underlying securities in the basket of BB CMBS securities | □ | 3,768,000 | a | 2.461% | (625, |
| DJ ABX HE A Index | 501,237 | 748,000 | 1/25/38 | 369 bp | (180, |
| DJ ABX HE AAA Index | 175,796 | 748,000 | 1/25/38 | 76 bp | (194, |
| DJ ABX NA HE AAA Index | 111,232 | 1,446,259 | 7/25/45 | 18 bp | (8, |
| DJ CDX NA CMBX AAA Index | 56,692 | 1,550,000 | 3/15/49 | 7 bp | (60, |
| DJ CDX NA HY Series 9 Index | 1,073,890 | 22,314,600 | 12/20/12 | 375 bp | (1,598, |
| DJ CDX NA HY Series 9 Index 25-35% tranche | □ | 5,840,000 | F 12/20/10 | 429 bp | 137 |
| DJ CDX NA HY Series 9 Index 25-35% tranche | □ | 2,840,000 | F 12/20/10 | 108.65 bp | (133, |

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| CREDIT DEFAULT CONTRACTS OUTSTANDING at 9/30/08 <i>cont.</i> | | | | | |
|--|-----------------------------------|-----------------|-------------------|--|--|
| Swap counterparty / Referenced debt* | Upfront premium received (paid)** | Notional amount | Termination date | Fixed payments received (paid) by fund per annum | Unrealized appreciation (depreciation) |
| <i>Goldman Sachs International cont.</i> | | | | | |
| DJ CDX NA HY Series 9 Index 25-35% tranche | \$□ | \$3,280,000 | F 12/20/10 | 305 bp | \$(12, |

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| | | | | | |
|--|---------------|-------------|-----------|------------|-------|
| DJ CDX NA IG Series 10 Index | 92,827 | 4,836,000 | 6/20/18 | (150 bp) | 102 |
| DJ CDX NA IG Series 10 Index 30-100% tranche | □ | 24,127,000 | F6/20/13 | (50 bp) | (34, |
| Lehman Brothers Holdings, 6 5/8%, 1/18/12 | □ | 1,205,000 | 9/20/17 | (67.8 bp) | 1,018 |
| Lighthouse International Co, SA, 8%, 4/30/14 | □EUR | 420,000 | 3/20/13 | 680 bp | (106, |
| Merrill Lynch & Co., 5%, 1/15/15 | □ | \$1,205,000 | 9/20/17 | (59.8 bp) | 202 |
| Rhodia SA, Euribor+275, 10/15/13 | □EUR | 205,000 | 9/20/13 | (367 bp) | 12 |
| Rhodia SA, Euribor+275, 10/15/13 | □EUR | 170,000 | 9/20/13 | (387 bp) | 8 |
| Smurfit Kappa Funding, 7 3/4%, 4/1/15 | □EUR | 390,000 | 9/20/13 | 720 bp | (19, |
| Wind Acquisition 9 3/4%, 12/1/15 | □EUR | 420,000 | 3/20/13 | 597 bp | 5 |
| Wind Acquisition 9 3/4%, 12/1/15 | □EUR | 550,000 | 12/20/10 | (340 bp) | 13 |
| <i>JPMorgan Chase Bank, N.A.</i> | | | | | |
| Codere Finance (Luxembourg) S.A., 8.25%, 6/15/15 | □EUR | 420,000 | 3/20/13 | 795 bp | (2, |
| DJ ABX HE AAA Index | 189,164 | \$972,095 | 5/25/46 | 11 bp | 55 |
| DJ CDX NA HY Series 9 Index 25-35% tranche | □ | 2,911,000 | F12/20/10 | 105.5 bp | (138, |
| DJ CDX NA IG Series 10 Index | (18,170) | 3,040,000 | 6/20/13 | 155 bp | (35, |
| DJ CDX NA IG Series 10 Index | (2,316) | 420,000 | 6/20/13 | 155 bp | (4, |
| DJ CDX NA IG Series 9 Index, 30-100% tranche | □ | 9,440,000 | F12/20/12 | (13.55 bp) | 122 |
| DJ CMB NA CMBX AAA Index | (50,232) | 645,000 | F2/17/51 | (35 bp) | 7 |
| DJ iTraxx Europe Crossover Series 8 Version 1 | (224,479) EUR | 1,680,000 | 12/20/12 | (375 bp) | (52, |
| Freeport-McMoRan Copper & Gold, Inc., bank term loan | □ | \$1,194,100 | 3/20/12 | (85 bp) | (3, |
| General Growth Properties, conv. bond 3.98%, 4/15/27 | □ | 1,375,000 | F9/20/13 | 775 bp | (289, |
| iStar Financial, Inc., 6%, 12/15/10 | 26,600 | 380,000 | 3/20/09 | 500 bp | (13, |
| Republic of Argentina, 8.28%, 12/31/33 | □ | 705,000 | 6/20/14 | 235 bp | (196, |
| Republic of Hungary, 4 3/4%, 2/3/15 | □ | 600,000 | 4/20/13 | (171.5 bp) | 1 |
| Republic of Turkey, 11 7/8%, 1/15/30 | □ | 990,000 | 5/20/17 | 230 bp | (61, |

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| | | | | | |
|---|---|------------|------------|-----------|--------------|
| Republic of Turkey, 11 7/8%, 1/15/30 | □ | 730,000 | 5/20/17 | 244 bp | (47, |
| Republic of Turkey, 11 7/8%, 1/15/30 | □ | 185,000 | 10/20/12 | 154 bp | (6, |
| Russian Federation, 7 1/2%, 3/31/30 | □ | 1,605,000 | 5/20/17 | 60 bp | (220, |
| Sanmina-Sci Corp., 8 1/8%, 3/1/16 | □ | 215,000 | 6/20/13 | 595 bp | (4, |
| Smurfit-Stone Container Enterprises, 7 1/2%, 6/1/13 | □ | 125,000 | 3/20/13 | 685 bp | (6, |
| <i>JPMorgan Securities, Inc.</i> | | | | | |
| DJ CMB NA CMBX AAA Index | | 1,024,075 | 11,918,000 | F2/17/51 | 35 bp (51, |
| <i>Merrill Lynch Capital Services, Inc.</i> | | | | | |
| Bombardier, Inc, 6 3/4%, 5/1/12 | □ | 1,080,000 | 6/20/12 | (150 bp) | 11 |
| D.R. Horton Inc., 7 7/8%, 8/15/11 | □ | 735,000 | 9/20/11 | (426 bp) | 8 |
| Pulte Homes Inc., 5.25%, 1/15/14 | □ | 690,000 | 9/20/11 | (482 bp) | (40, |
| <i>Merrill Lynch International</i> | | | | | |
| Dynegy Holdings Inc., 6 7/8%, 4/1/11 | □ | 150,000 | 6/20/17 | 295 bp | (30, |
| KinderMorgan, 6 1/2%, 9/1/12 | □ | 1,589,000 | 9/20/12 | (128 bp) | 16 |
| <i>Morgan Stanley Capital Services, Inc.</i> | | | | | |
| Advanced Micro Devices, 7 3/4%, 11/1/12 | □ | 500,000 | 6/20/09 | 190 bp | (58, |
| Aramark Services, Inc., 8.5%, 2/1/15 | □ | 125,000 | 12/20/12 | 355 bp | (4, |
| Bombardier, Inc, 6 3/4%, 5/1/12 | □ | 545,000 | 6/20/12 | (114 bp) | 13 |
| Bundesrepublik of Deutschland, 6%, 6/20/16 | □ | 2,571,000 | 6/20/18 | 8 bp | (20, |
| DJ ABX NA CMBX AAA Index | | 276,884 | 3,890,000 | 3/15/49 | 7 bp (20, |
| DJ ABX NA CMBX BBB Index | | 50 | 68,790 | 10/12/52 | (134 bp) 32 |
| DJ CDX NA HY Series 7 Index | | 61,321 | 1,290,960 | 12/20/09 | (325 bp) 96 |
| DJ CDX NA HY Series 9 Index | | 66,532 | 1,663,300 | 12/20/12 | 375 bp (132, |
| DJ CDX NA IG Series 10 Index | | 416,060 | 21,356,000 | 6/20/18 | (150 bp) 460 |
| DJ CDX NA IG Series 10 Index 30-100% tranche | □ | 43,955,000 | F6/20/13 | (52 bp) | (102, |
| DJ CDX NA IG Series 10 Index 30-100% tranche | □ | 11,855,000 | F6/20/13 | (38.6 bp) | 42 |
| DJ CDX NA IG Series 7 Index 10-15% tranche | | 52,160 | 1,304,000 | 12/20/09 | 0 bp (87, |

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| | | | | | |
|--------------------------|-----------|------------|----------|---------|------|
| DJ CMB NA CMBX AA Index | (276,753) | 1,213,000 | 10/12/52 | (25 bp) | (48, |
| DJ CMB NA CMBX AAA Index | 1,468,890 | 12,245,000 | 12/13/49 | 8 bp | 214 |

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| CREDIT DEFAULT CONTRACTS OUTSTANDING at 9/30/08 <i>cont.</i> | | | | | |
|--|-----------------------------------|-----------------|------------------|--|--|
| Swap counterparty / Referenced debt* | Upfront premium received (paid)** | Notional amount | Termination date | Fixed payments received (paid) by fund per annum | Unrealized appreciation (depreciation) |
| <i>Morgan Stanley Capital Services, Inc. cont.</i> | | | | | |
| DJ CMB NA CMBX AAA Index | \$3,570,928 | \$32,905,500 | 2/17/51 | 35 bp | \$609,031 |
| Dominican Republic, 8 5/8%, 4/20/27 | □ | 1,190,000 | 11/20/11 | (170 bp) | 47,353 |
| Dynegy Holdings Inc., 6 7/8%, 4/1/11 | □ | 150,000 | 6/20/12 | 225 bp | (16,729) |
| Freeport-McMoRan Copper & Gold, Inc., bank term loan | □ | 1,788,300 | 3/20/12 | 44 bp | (18,724) |
| Freeport-McMoRan Copper & Gold, Inc., bank term loan | □ | 597,100 | 3/20/12 | (83 bp) | (1,157) |
| Nalco, Co. 7.75%, 11/15/11 | □ | 80,000 | 9/20/12 | 330 bp | (1,536) |
| Nalco, Co. 7.75%, 11/15/11 | □ | 115,000 | 3/20/13 | 460 bp | 2,181 |
| Republic of Austria, 5 1/4%, 1/4/11 | □ | 2,571,000 | 6/20/18 | (17 bp) | 9,569 |
| Republic of Venezuela, 9 1/4%, 9/15/27 | □ | 510,000 | 10/12/12 | 339 bp | (75,751) |
| <i>UBS, AG</i> | | | | | |
| Meritage Homes Corp., 7%, 5/1/14 | □ | 135,000 | 9/20/13 | (760 bp) | (4,238) |
| Total | | | | | \$1,238,694 |

*Payments related to the reference debt are made upon a credit default event.

**Upfront premium is based on the difference between the original spread on issue and the market spread on day of execution.

a Terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference entity are liquidated.

F Is valued at fair value following procedures approved by the Trustees.

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

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Statement of assets and liabilities 9/30/08

ASSETS

| | |
|--|--------------------|
| Investment in securities, at value, including \$1,154,151 of securities on loan (Note 1): Unaffiliated issuers (identified cost \$522,039,224) | \$482,960,023 |
| Cash | 8,661,625 |
| Foreign currency (cost \$257,598) (Note 1) | 239,911 |
| Dividends, interest and other receivables | 5,585,951 |
| Receivable for securities sold | 3,681,518 |
| Receivable for sales of delayed delivery securities (Notes 1, 6 and 7) | 11,213,135 |
| Unrealized appreciation on swap contracts (Note 1) | 29,903,574 |
| Receivable for variation margin (Note 1) | 7,728,548 |
| Receivable for open forward currency contracts (Note 1) | 1,128,489 |
| Receivable for closed forward currency contracts (Note 1) | 1,732,506 |
| Receivable for open swap contracts (Note 1) | 15,845 |
| Receivable for closed swap contracts (Note 1) | 13,803,592 |
| Premium paid on swap contract (Note 1) | 1,138,272 |
| Total assets | 567,792,989 |

LIABILITIES

| | |
|--|------------|
| Distributions payable to shareholders | 3,070,198 |
| Payable for securities purchased | 5,749,185 |
| Payable for purchases of delayed delivery securities (Notes 1, 6 and 7) | 20,086,481 |
| Payable for shares of the fund repurchased | 5,370,074 |
| Payable for compensation of Manager (Notes 2 and 5) | 823,533 |
| Payable for investor servicing fees (Note 2) | 18,305 |

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| | |
|--|----------------------|
| Payable for custodian fees (Note 2) | 5,901 |
| Payable for Trustee compensation and expenses (Note 2) | 127,951 |
| Payable for administrative services (Note 2) | 1,621 |
| Payable for open forward currency contracts (Note 1) | 2,835,970 |
| Payable for closed forward currency contracts (Note 1) | 3,248,317 |
| Payable for open swap contracts (Note 1) | 1,873,803 |
| Payable for closed swap contracts (Note 1) | 14,231,058 |
| Premium received on swap contracts (Note 1) | 29,399,418 |
| Written options outstanding, at value (premiums received \$2,141,204) (Notes 1 and 3) | 3,117,260 |
| Unrealized depreciation on swap contracts (Note 1) | 73,366,075 |
| Payable for receivable purchase agreement (Note 2) | 169,014 |
| TBA sales commitments, at value (proceeds receivable \$11,189,844) (Note 1) | 11,084,063 |
| Collateral on securities loaned, at value (Note 1) | 1,182,030 |
| Other accrued expenses | 59,379 |
| Total liabilities | 175,819,636 |
| Net assets | \$391,973,353 |

REPRESENTED BY

| | |
|--|---------------|
| Paid-in capital (Unlimited shares authorized) (Notes 1 and 4) | \$585,852,423 |
| Undistributed net investment income (Note 1) | 32,192,969 |
| Accumulated net realized loss on investments and foreign currency transactions (Note 1) | (134,913,194) |
| Net unrealized depreciation of investments and assets and liabilities in foreign currencies | (91,158,845) |

Total Representing net assets applicable to

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capital shares outstanding \$391,973,353

COMPUTATION OF NET ASSET VALUE AND OFFERING PRICE

Net asset value per share
 (\$391,973,353 divided by 66,640,509 shares) \$5.88

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

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Statement of operations Year ended 9/30/08

INVESTMENT INCOME

Interest (net of foreign tax of \$55,993)(including
 interest income of \$800,249 from investments in
 affiliated issuers) (Note 5) \$41,754,623

Dividends 7,553

Securities lending 21,792

Total investment income 41,783,968

EXPENSES

Compensation of Manager (Note 2) 3,787,224

Investor servicing fees (Note 2) 255,594

Custodian fees (Note 2) 95,420

Trustee compensation and expenses (Note 2) 38,766

Administrative services (Note 2) 25,989

Other 664,609

Fees waived and reimbursed by Manager (Note 5) (15,864)

Total expenses 4,851,738

Expense reduction (Note 2) (115,210)

Net expenses 4,736,528

Net investment income 37,047,440

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| | |
|--|----------------|
| Net realized gain on investments (Notes 1 and 3) | 19,653,685 |
| Net increase from payment by affiliate (Note 2) | 179,419 |
| Net realized loss on swap contracts (Note 1) | (6,766,448) |
| Net realized loss on futures contracts (Note 1) | (13,425,043) |
| Net realized loss on foreign currency transactions (Note 1) | (3,209,081) |
| Net realized gain on written options (Notes 1 and 3) | 3,210,299 |
| Net unrealized depreciation of assets and liabilities in foreign currencies during the year | (1,990,850) |
| Net unrealized depreciation of investments, futures contracts, swap contracts, written options, and TBA sale commitments during the year | (92,090,753) |
| Net loss on investments | (94,438,772) |
| Net decrease in net assets resulting from operations | \$(57,391,332) |

Statement of changes in net assets

DECREASE IN NET ASSETS

| | Year ended 9/30/08 | Year ended 9/30/07 |
|--|-----------------------|-----------------------|
| Operations: | | |
| Net investment income | \$37,047,440 | \$31,959,763 |
| Net realized loss on investments and foreign currency transactions | (357,169) | (4,719,765) |
| Net unrealized appreciation (depreciation) of investments and assets and liabilities in foreign currencies | (94,081,603) | 5,592,414 |
| Net increase (decrease) in net assets resulting from operations | (57,391,332) | 32,832,412 |
| Distributions to shareholders (Note 1): | | |
| From net investment income | (36,112,991) | (32,136,740) |
| Decrease from shares repurchased (Note 4) | (93,333,036) | (86,295,031) |

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| | | |
|------------------------------|---------------|--------------|
| Total decrease in net assets | (186,837,359) | (85,599,359) |
|------------------------------|---------------|--------------|

NET ASSETS

| | | |
|--|---------------|---------------|
| Beginning of year | 578,810,712 | 664,410,071 |
| End of year (including undistributed net investment income of \$32,192,969 and \$12,989,996, respectively) | \$391,973,353 | \$578,810,712 |

NUMBER OF FUND SHARES

| | | |
|---|--------------|--------------|
| Shares outstanding at beginning of year | 81,137,030 | 93,824,140 |
| Shares repurchased (Note 4) | (14,496,521) | (12,681,340) |
| Retirement of shares held by the fund | □ | (5,770) |
| Shares outstanding at end of year | 66,640,509 | 81,137,030 |

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

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

| PER-SHARE OPERATING PERFORMANCE | Year ended | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| | 9/30/08 | 9/30/07 | 9/30/06 | 9/30/05 | 9/30/04 |
| Net asset value, beginning of period | \$7.13 | \$7.08 | \$7.07 | \$7.13 | \$6.99 |
| <i>Investment operations:</i> | | | | | |
| Net investment income ^a | .49 d | .36 d | .34 d | .32 d | .40 d |
| Net realized and unrealized gain (loss) on investments | (1.28) | .01 | (.04) | .04 | .23 |
| Total from investment operations | (.79) | .37 | .30 | .36 | .63 |
| <i>Less distributions:</i> | | | | | |
| From net investment income | (.49) | (.36) | (.35) | (.42) | (.49) |
| Total distributions | (.49) | (.36) | (.35) | (.42) | (.49) |
| Increase from shares repurchased | .03 | .04 | .06 | □ | □ |
| Net asset value, end of period | \$5.88 | \$7.13 | \$7.08 | \$7.07 | \$7.13 |

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| | | | | | |
|---|--------|--------|--------|--------|--------|
| Market value, end of period | \$5.39 | \$6.41 | \$6.15 | \$6.25 | \$6.73 |
| Total return at market value (%) ^b | (8.92) | 10.15 | 4.17 | (0.98) | 12.95 |

RATIOS AND SUPPLEMENTAL DATA

| | | | | | |
|--|---------------------|--------------------|---------------------|---------------------|-------------------|
| Net assets, end of period (in thousands) | \$391,973 | \$578,811 | \$664,410 | \$709,266 | \$715,596 |
| Ratio of expenses to average net assets (%) ^c | .96 ^d | .90 ^d | .89 ^d | .87 ^d | .86 ^d |
| Ratio of net investment income to average net assets (%) | 7.29 ^d | 5.01 ^d | 4.84 ^d | 4.43 ^d | 5.61 ^d |
| Portfolio turnover (%) | 158.75 ^e | 77.78 ^e | 113.12 ^e | 165.33 ^e | 113.46 |

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

^b Total return assumes dividend reinvestment.

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

^d Reflects waivers of certain fund expenses in connection with investments in Putnam Prime Money Market Fund during the period. As a result of such waivers, the expenses of the fund reflect a reduction of the following amounts (Note 5):

| | Percentage of average net assets |
|--------------------|----------------------------------|
| September 30, 2008 | <0.01% |
| September 30, 2007 | 0.02 |
| September 30, 2006 | 0.02 |
| September 30, 2005 | 0.02 |
| September 30, 2004 | <0.01 |

^e Portfolio turnover excludes dollar roll transactions.

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

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Notes to financial statements 9/30/08

Note 1: Significant accounting policies

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Putnam Master Intermediate Income Trust (the "fund"), a Massachusetts business trust, is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company and is authorized to issue an unlimited number of shares. The fund's investment objective is to seek, with equal emphasis, high current income and relative stability of net asset value, by allocating its investments among the U.S. investment grade sector, high-yield sector and international sector. The fund invests in higher yielding, lower rated bonds that have a higher rate of default. The fund may invest a significant portion of their assets in securitized debt instruments, including mortgage-backed and asset-backed investments. The yields and values of these investments are sensitive to changes in interest rates, the rate of principal payments on the underlying assets and the market's perception of the issuers. The market for these investments may be volatile and limited, which may make them difficult to buy or sell.

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

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

A) Security valuation Investments for which market quotations are readily available are valued at the last reported sales price on their principal exchange, or official closing price for certain markets. If no sales are reported — as in the case of some securities traded over-the-counter — a security is valued at its last reported bid price. Market quotations are not considered to be readily available for certain debt obligations; such investments are valued on the basis of valuations furnished by an independent pricing service approved by the Trustees or dealers selected by Putnam Investment Management, LLC ("Putnam Management"), the fund's manager, a wholly-owned subsidiary of Putnam, LLC. 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. Many securities markets and exchanges outside the U.S. close prior to the close of the New York Stock Exchange and therefore the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the New York Stock Exchange. Accordingly, on certain days, the fund will fair value foreign equity securities taking into account multiple factors, including movements in the U.S. securities markets. The number of days on which fair value prices will be used will depend on market activity and it is possible that fair value prices will be used by the fund to a significant extent. Securities quoted in foreign currencies, if any, are translated into U.S. dollars at the current exchange rate. To the extent a pricing service or dealer is unable to value a security or provides a valuation which Putnam Management does not believe accurately reflects the security's fair value, the security will be valued at fair value by Putnam Management. Certain investments, including certain restricted securities and derivatives, are also valued at fair value following procedures approved by the Trustees. Such valuations and procedures are reviewed periodically by the Trustees. Certain securities may be valued on the basis of a price provided by a single source. The fair value of securities is generally determined as the amount that the fund could reasonably expect to realize from an orderly disposition of such securities over a reasonable period of time. By its nature, a fair value price is a good faith estimate of the value of a security at a given point in time and does not reflect an actual market price, which may be different by a material amount.

B) Joint trading account Pursuant to an exemptive order from the Securities and Exchange Commission (the "SEC"), 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 Management. These balances may be invested in issues of 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 (the date the order to buy or sell is executed). Gains or losses on securities sold are determined on the identified cost basis.

Interest income is recorded on the accrual basis. Dividend income, net of applicable withholding taxes, is recognized on the ex-dividend date except that certain dividends from foreign securities, if any, are recognized as soon as the fund is informed of the ex-dividend date. Non-cash dividends, if any, are recorded at the fair market value of the securities received. Dividends representing a return of capital or capital gains, if any, are reflected as a reduction of cost and/or as a realized gain. All premiums/discounts are amortized/accreted on a yield-to-maturity basis.

Securities purchased or sold on a delayed delivery basis may be settled a month or more after the trade date; interest income is accrued based on the terms of the securities. Losses may arise due to changes in the market value of the underlying securities or if the counterparty does not perform under the contract.

The fund earned certain fees in connection with its senior loan purchasing activities. These fees are treated as market discount and are recorded as income in the Statement of operations.

D) Stripped securities The fund may invest in stripped securities which represent a participation in securities that may be structured in classes with rights to receive different portions of the interest and principal. Interest-only securities receive all of the interest and principal-only securities receive all of the principal. If the interest-only securities experience greater than anticipated prepayments of principal, the fund may fail to recoup fully its initial investment in these securities. Conversely, principal-only securities increase in value if prepayments are greater than anticipated and decline if prepayments are slower than anticipated. The market value of these securities is highly sensitive to changes in interest rates.

E) Foreign currency translation The accounting records of the fund are maintained in U.S. dollars. The market value of foreign securities, currency holdings, and other assets and liabilities is 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

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contracts and assets and liabilities other than investments at the period end, resulting from changes in the exchange rate. Investments in foreign securities involve certain risks, including those related to economic instability, unfavorable political developments, and currency fluctuations, not present with domestic investments.

F) Forward currency contracts The fund may buy and sell forward currency contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These contracts are used to protect against a decline in value relative to the U.S. dollar of the currencies in which its portfolio securities are denominated or quoted (or an increase in the value of a currency in which securities a fund intends to buy are denominated, when a fund holds cash reserves and short term investments), or for other investment purposes. 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. Risks may exceed amounts recognized on the Statement of assets and liabilities. Forward currency contracts outstanding at period end, if any, are listed after the fund's portfolio.

G) Futures and options contracts The fund may use futures and options contracts to hedge against changes in the values of securities the fund owns, owned or expects to purchase, or for other investment purposes. The fund may also write options on swaps or securities it owns or in which it may invest to increase its current returns.

The potential risk to the fund is that the change in value of futures and options contracts may not correspond to the change in value of the hedged instruments. In addition, losses may arise from changes in the value of the underlying instruments, if there is an illiquid secondary market for the contracts, or if the counterparty to the contract is unable to perform. Risks may exceed amounts recognized on the Statement of assets and liabilities. When the contract is closed, the fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. Realized gains and losses on purchased options are included in realized gains and losses on investment securities. If a written call option is exercised, the premium originally received is recorded as an addition to sales proceeds. If a written put option is exercised, the premium originally received is recorded as a reduction to the cost of investments.

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

H) Total return swap contracts The fund may enter into total return swap contracts, which are arrangements to exchange a market linked return for a periodic payment, both based on a notional principal amount. To the extent that the total return of the security, index or other financial measure underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the fund will receive a payment from or make a payment to the counterparty. Total return swap contracts are marked

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to market daily based upon quotations from market makers and the change, if any, is recorded as an unrealized gain or loss.

Payments received or made are recorded as realized gains or losses. Certain total return swap contracts may include extended effective dates. Payments related to these swap contracts is accrued based on the terms of the contract. The fund could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or in the price of the underlying security or index, the possibility that there is no liquid market for these agreements or that the counterparty may default on its obligation to perform. Risk of loss may exceed amounts recognized on the Statement of assets and liabilities. Total return swap contracts outstanding at period end, if any, are listed after the fund's portfolio.

I) Interest rate swap contracts The fund may enter into interest rate swap contracts, which are arrangements between two parties to exchange cash flows based on a notional principal amount, to manage the fund's exposure to interest rates. An interest rate swap can be purchased or sold with an upfront premium. An upfront payment received by the fund is recorded as a liability on the fund's books. An upfront payment made by the fund is recorded as an asset on the fund's books. Interest rate swap contracts are marked to market daily based upon quotations from an independent pricing service or market makers and the change, if any, is recorded as an unrealized gain or loss. Payments received or made are recorded as realized gains or losses. Certain interest rate swap contracts may include extended effective dates. Payments related to these swap contracts is accrued based on the terms of the contract. The fund could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or if the counterparty defaults on its obligation to perform. Risk of loss may exceed amounts recognized on the Statement of assets and liabilities. Interest rate swap contracts outstanding at period end, if any, are listed after the fund's portfolio.

J) Credit default contracts The fund may enter into credit default contracts where one party, the protection buyer, makes an upfront or periodic payment to a counterparty, the protection seller, in exchange for the right to receive a contingent payment. The maximum amount of the payment may equal the notional amount, at par, of the underlying index or security as a result of a related credit event. Payments are made upon a credit default event of the disclosed primary referenced obligation or all other equally ranked obligations of the reference entity. An upfront payment received by the fund, as the protection seller, is recorded as a liability on the fund's books. An upfront payment made by the fund, as the protection buyer, is recorded as an asset on the fund's books. Periodic payments received or paid by the fund are recorded as realized gains or losses. The credit default contracts are marked to market daily based upon quotations from an independent pricing service or market makers and the change, if any, is recorded as an 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. Risks of loss may exceed amounts recognized on the Statement of assets and liabilities. Credit default contracts outstanding at period end, if any, are listed after the fund's portfolio.

K) TBA purchase commitments The fund may enter into "TBA" (to be announced) commitments to purchase securities for a fixed unit price at a future date beyond customary settlement time. Although the unit price has been established, the principal value has not been finalized. However, the amount of the commitments will not significantly differ from the principal amount. The fund holds, and maintains until settlement date, cash or high-grade debt obligations in an amount sufficient to meet the purchase price, or the fund may enter into offsetting contracts for the forward sale of other securities it owns. Income on the securities will not be earned until settlement date. TBA purchase commitments may be considered securities themselves, and involve a risk of loss if the value of the security to be

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purchased declines prior to the settlement date, which risk is in addition to the risk of decline in the value of the fund's other assets. Unsettled TBA purchase commitments are valued at fair value of the underlying securities, according to the procedures described under "Security valuation" above. The contract is marked to market daily and the change in market value is recorded by the fund as an unrealized gain or loss.

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

L) TBA sale commitments The fund may enter into TBA sale commitments to hedge its portfolio positions or to sell mortgage-backed securities it owns under delayed delivery arrangements. Proceeds of TBA sale commitments are not received until the contractual settlement date. During the time a TBA sale commitment is outstanding, equivalent deliverable securities or an offsetting TBA purchase commitment deliverable on or before the sale commitment date, are held as "cover" for the transaction.

Unsettled TBA sale commitments are valued at the fair value of the underlying securities, generally according to the procedures described under "Security valuation" above. The contract is marked to market daily and the change in market value is recorded by

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the fund as an unrealized gain or loss. If the TBA sale commitment is closed through the acquisition of an offsetting TBA purchase commitment, the fund realizes a gain or loss. If the fund delivers securities under the commitment, the fund realizes a gain or a loss from the sale of the securities based upon the unit price established at the date the commitment was entered into. TBA sale commitments outstanding at period end, if any, are listed after the fund's portfolio.

M) Dollar rolls To enhance returns, the fund may enter into dollar rolls (principally using TBAs) in which the fund sells securities for delivery in the current month and simultaneously contracts to purchase similar securities on a specified future date. During the period between the sale and subsequent purchase, the fund will not be entitled to receive income and principal payments on the securities sold. The fund will, however, retain the difference between the initial sales price and the forward price for the future purchase. The fund will also be able to earn interest on the cash proceeds that are received from the initial sale, on settlement date. The fund may be exposed to market or credit risk if the price of the security changes unfavorably or the counterparty fails to perform under the terms of the agreement.

N) Securities lending The fund may lend securities, through its agents, to qualified borrowers in order to earn additional income. The loans are collateralized by cash and/or securities in an amount at least equal to the market value of the securities loaned. The market value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. The risk of borrower default will be borne by the fund's agents; the fund will bear the risk of loss with respect to the investment of the cash collateral. Income from securities lending is included in investment income on the Statement of operations. At September 30, 2008, the value of securities loaned amounted to \$1,154,151. The fund received cash collateral of \$1,182,030 which is pooled with collateral of other Putnam funds into 52 issues of short-term investments.

O) 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 of 1986, as amended (the "Code"), applicable to regulated investment companies. It is also the intention of the fund to distribute an amount sufficient to avoid imposition of any excise tax under Section 4982 of the Code. Therefore, no provision has been made for federal taxes on income, capital gains or unrealized appreciation on securities held nor for excise tax on income and capital gains.

At September 30, 2008 the fund had a capital loss carryover of \$118,517,373 available to the extent allowed by the Code to offset future net capital gain, if any. The amount of the carryover and the expiration dates are:

| Loss Carryover | Expiration |
|----------------|--------------------|
| \$24,593,458 | September 30, 2009 |
| 27,431,170 | September 30, 2010 |
| 47,564,236 | September 30, 2011 |
| 7,342,291 | September 30, 2015 |
| 11,586,218 | September 30, 2016 |

Pursuant to federal income tax regulations applicable to regulated investment companies, the fund has elected to defer to its fiscal year ending September 30, 2009 \$20,254,805 of losses recognized during the period November 1, 2007 to September 30, 2008.

P) 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/or permanent differences of foreign currency gains and losses, post-October loss deferrals, the expiration of a capital loss carryover, dividends payable, unrealized gains and losses on certain futures contracts, realized gains and losses on certain futures contracts, interest only securities and swaps. Reclassifications are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. For the year ended September 30, 2008, the fund reclassified \$18,268,524 to increase undistributed net investment income and \$25,050,309 to decrease paid-in-capital, with an increase to accumulated net realized gains and losses of \$6,781,785.

The tax basis components of distributable earnings and the federal tax cost as of September 30, 2008 were as follows:

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| | |
|--------------------------------------|---------------|
| Unrealized appreciation | \$15,149,171 |
| Unrealized depreciation | (56,585,819) |
| <hr/> | |
| Net unrealized depreciation | (41,436,648) |
| Undistributed ordinary income | 29,459,511 |
| Capital loss carryforward | (118,517,373) |
| Post-October loss | (20,254,805) |
| <hr/> | |
| Cost for federal income tax purposes | \$524,396,671 |

Note 2: Management fee, administrative services and other transactions

The fund pays Putnam Management for management and investment advisory services quarterly based on the average net assets (including assets, but excluding liabilities, attributable to leverage for investment purposes) of the fund. The fee is based on the following annual rates: 0.75% of the first \$500 million of average weekly assets, 0.65% of the next \$500 million, 0.60% of the next \$500 million and 0.55% of the next \$5 billion, with additional breakpoints at higher asset levels.

Putnam Investments Limited (["PIL"]), an affiliate of Putnam Management, is authorized by the Trustees to manage a separate portion of the assets of the fund as determined by Putnam Management from time to time. Putnam Management pays a quarterly sub-management fee to PIL for its services at an annual rate of 0.40% of the average net assets (including assets, but excluding liabilities, attributable to leverage for investment purposes) of the portion of the fund managed by PIL.

In October 2007, Putnam Management agreed to reimburse the fund in the amount of \$176,732 in connection with the misidentification in 2006 of the characteristics of certain securities in the fund's portfolio. The reimbursement by Putnam Management had less than a 0.05% impact on total return during the period.

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Putnam Management voluntarily reimbursed the fund \$2,687 for a trading error which occurred during the period. The effect of the loss incurred and the reimbursement by Putnam Management of such amounts had no impact on total return.

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.

On September 26, 2008, the fund entered into an Agreement with another registered investment company (each a ["Seller"]) managed by Putnam Management. Under the Agreement, the Seller sold to the fund the right to receive, in the aggregate, \$655,833 in net payments from Lehman Brothers Special Financing, Inc. in connection with certain terminated derivatives transactions (the ["Receivable"]), in exchange for an initial payment plus (or minus) additional amounts based on the fund's ultimate realized gain (or loss) with respect to the Receivable. The Receivable will be offset against the fund's net payable to Lehman Brothers Special Financing, Inc. The Agreement, which is included in the Statement of assets and liabilities, is valued at fair value following procedures approved by the Trustees. All remaining payments under the Agreement will be recorded as realized gain or loss.

Custodial services for the fund's assets were provided by Putnam Fiduciary Trust Company (["PFTC"]), an affiliate of Putnam Management, and by State Street Bank and Trust Company (["State Street"]). Custody fees are based on the fund's asset level, the number of its security holdings, transaction volumes and with respect to PFTC, certain fees related to the transition of assets to State Street. Putnam Investor Services, a division of PFTC, provided investor servicing agent functions to the fund. Putnam Investor Services was paid a monthly fee for investor servicing at an annual rate of 0.05% of the fund's average net assets. During the year ended September 30, 2008, the fund incurred \$264,843 for custody and investor servicing agent functions provided by PFTC.

The fund has entered into expense offset arrangements with PFTC and State Street whereby PFTC's and State Street's fees are reduced by credits allowed on cash balances. For the year ended September 30, 2008, the fund's expenses were reduced by \$115,210 under the expense offset arrangements.

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Each independent Trustee of the fund receives an annual Trustee fee, of which \$375, as a quarterly retainer, has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees receive additional fees for attendance at certain committee meetings and industry seminars and for certain compliance-related matters. Trustees also are reimbursed for expenses they incur relating to their services as Trustees.

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

The fund has adopted an unfunded noncontributory defined benefit pension plan (the "Pension Plan") covering all Trustees of the fund who have served as a Trustee for at least five years and were first elected prior to 2004. Benefits under the Pension Plan are equal to 50% of the Trustee's average annual attendance and retainer fees for the three years ended December 31, 2005. The retirement benefit is payable during a Trustee's lifetime, beginning the year following retirement, for the number of years of service through December 31, 2006. Pension expense for the fund is included in Trustee compensation and expenses in the Statement of operations. Accrued pension liability is included in Payable for Trustee compensation and expenses in the Statement of assets and liabilities. The Trustees have terminated the Pension Plan with respect to any Trustee first elected after 2003.

Note 3: Purchases and sales of securities

During the year ended September 30, 2008, cost of purchases and proceeds from sales of investment securities other than U.S. government securities and short-term investments aggregated \$785,874,039 and \$847,998,479, respectively. Purchases and sales of U.S. government securities aggregated \$28,436,179 and \$24,740,589, respectively.

Written option transactions during the year ended September 30, 2008 are summarized as follows:

| | | Contract Amounts | Premiums Received |
|---|-----|---------------------|----------------------|
| Written options outstanding at beginning of period | EUR | 5,440,000 | \$221,499 |
| | USD | 164,259,000 | 5,145,074 |
| Options opened | EUR | □ | □ |
| | USD | 706,280,000 | 14,706,366 |
| Options exercised | EUR | □ | □ |
| | USD | □ | □ |
| Options expired | EUR | □ | □ |
| | USD | 398,758,000 | 8,086,585 |
| Options closed | EUR | 5,440,000 | 221,499 |
| | USD | 416,700,000 | 9,623,651 |
| Written options outstanding at end of period | EUR | □ | □ |
| | USD | 55,081,000 | \$2,141,204 |

At September 30, 2008, Putnam, LLC owned 106 class A shares of the fund (less than 0.01% of class A shares outstanding), valued at \$573.

Note 4: Share repurchase program

In September 2008, the Trustees approved the renewal of the repurchase program to allow the fund to repurchase up to 10% of its outstanding common shares over the 12-month period ending October 7, 2009 (based on shares outstanding as of October 7, 2008). Prior to this renewal, the Trustees had approved a repurchase program to allow the fund to repurchase up to 10% of its outstanding common shares over the 12 month period ending October 7, 2008 (based on shares outstanding as of October 5, 2007). Repurchases are made when the fund's shares are trading at less than net asset value and in accordance with procedures approved by the fund's Trustees.

For the year ended September 30, 2008, the fund repurchased 2,365,955 common shares for an aggregate purchase price of \$12,786,078, which reflects a weighted-average discount from net asset value per share of 11.38%.

In April 2008, the fund repurchased 12,130,566 common shares pursuant to an issuer tender offer commenced on February 29, 2008, for up to 15% of its outstanding common shares, at \$6.64 per share, for an aggregate purchase price of \$80,546,958. The tender offer purchase price represented a discount of 1% from the net asset value of the fund's common shares as of April 11, 2008.

Note 5: Investment in Putnam Prime Money Market Fund

The fund invested in Putnam Prime Money Market Fund, an open-end management investment company managed by Putnam Management. Investments in Putnam Prime Money Market Fund were valued at its closing net asset value each business day. Management fees paid by the fund were reduced by an amount equal to the management fees paid by Putnam Prime Money Market Fund with respect to assets invested by the fund in Putnam Prime Money Market Fund. For the year ended September 30, 2008, management fees paid were reduced by \$15,864 relating to the fund's investment in Putnam Prime Money Market Fund. Income distributions earned by the fund were recorded as interest income in the Statement of operations and totaled \$800,249 for the year ended September 30, 2008. During the year ended September 30, 2008, cost of purchases and proceeds of sales of investments in Putnam Prime Money Market Fund aggregated \$241,078,713 and \$298,040,815, respectively.

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On September 17, 2008, the Trustees of the Putnam Prime Money Market Fund voted to close that fund effective September 17, 2008. On September 24, 2008 the fund received shares of Federated Prime Obligations Fund, an unaffiliated management investment company registered under the Investment Company Act of 1940, in liquidation of its shares of Putnam Prime Money Market Fund.

Note 6: Senior loan commitments

Senior loans are purchased or sold on a when-issued or delayed delivery basis and may be settled a month or more after the trade date, which from time to time can delay the actual investment of available cash balances; interest income is accrued based on the terms of the securities. Senior loans can be acquired through an agent, by assignment from another holder of the loan, or as a participation interest in another holder's portion of the loan. When the fund invests in a loan or participation, the fund is subject to the risk that an intermediate participant between the fund and the borrower will fail to meet its obligations to the fund, in addition to the risk that the borrower under the loan may default on its obligations.

Note 7: Unfunded loan commitments

As of September 30, 2008, the fund had unfunded loan commitments of \$619,058, which could be extended at the option of the borrower, pursuant to the following loan agreements with the following borrowers:

| Borrower | Unfunded Commitments |
|-------------------------------|----------------------|
| Community Health Systems, Inc | \$30,270 |
| Golden Nugget, Inc. | 38,788 |

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| | |
|---------------------------|---------|
| Manitowoc Co., Inc. (The) | 370,000 |
| <hr/> | |
| NRG Energy, Inc. | 180,000 |
| <hr/> | |

Note 8: Regulatory matters and litigation

In late 2003 and 2004, Putnam Management settled charges brought by the Securities and Exchange Commission and the Massachusetts Securities Division in connection with excessive short-term trading in Putnam funds. Distribution of payments from Putnam Management to certain open-end Putnam funds and their shareholders is expected to be completed in the next several months. These allegations and related matters have served as the general basis for certain lawsuits, including purported class action lawsuits against Putnam Management and, in a limited number of cases, some Putnam funds. Putnam Management believes that these lawsuits will have no material adverse effect on the funds or on Putnam Management's ability to provide investment management services. In addition, Putnam Management has agreed to bear any costs incurred by the Putnam funds as a result of these matters.

In September 2007, Putnam Management consented to an order issued by the SEC and agreed to pay a monetary penalty to the SEC relating to the omission of required information from notices sent with distributions to shareholders of your fund prior to June 2002.

Note 9: New accounting pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (the "Interpretation"). The Interpretation prescribes a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken by a filer in the filer's tax return. Upon adoption, the Interpretation did not have a material effect on the fund's financial statements. However, the conclusions regarding the Interpretation may be subject to review and adjustment at a later date based on factors including, but not limited to, further implementation guidance expected from the FASB, and on-going analysis of tax laws, regulations and interpretations thereof. Each of the fund's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (the "Standard"). The Standard defines fair value, sets out a framework for measuring fair value and expands disclosures about fair value measurements. The Standard applies to fair value measurements already required or permitted by existing standards. The Standard is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Putnam Management does not believe the adoption of the Standard will impact the amounts reported in the financial statements; however, additional disclosures will be required about the inputs used to develop the measurements of fair value.

In March 2008, Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS 161") (an amendment of FASB Statement No. 133, was issued and is effective for fiscal years beginning after November 15, 2008. SFAS 161 requires enhanced disclosures about how and why an entity uses derivative instruments and how derivative instruments affect an entity's financial position. Putnam Management is currently evaluating the impact the adoption of SFAS 161 will have on the fund's financial statement disclosures.

In September 2008, FASB Staff Position FAS 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161* ("Amendment") was issued and is effective for annual and interim reporting periods ending after November 15, 2008. The Amendment requires enhanced disclosures regarding a fund's credit derivatives holdings and hybrid financial instruments containing embedded credit derivatives. Management is currently evaluating the impact the adoption of the Amendment will have on the Funds' financial statement disclosures.

Note 10: Market conditions

Recent events in the financial sector have resulted in an unusually high degree of volatility in the financial markets. The fund's investments in the financial sector, as reflected in the fund's schedule of investments, exposes investors to the negative (or positive) performance resulting from these events.

Federal tax information (unaudited)

The fund designated 0.01% of ordinary income distributions as qualifying for the dividends received deduction for corporations.

For its tax year ended September 30, 2008, the fund hereby designates 0.01%, or the maximum amount allowable, of its taxable ordinary income distributions as qualified dividends taxed at the individual net capital gain rates.

The Form 1099 you receive in January 2009 will show the tax status of all distributions paid to your account in calendar 2008.

Compliance certifications (unaudited)

On February 28, 2008, your fund submitted a CEO annual certification to the New York Stock Exchange (["NYSE"]) on which the fund's principal executive officer certified that he was not aware, as of that date, of any violation by the fund of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the fund's principal executive and principal financial officers have made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q, relating to, among other things, the fund's disclosure controls and procedures and internal control over financial reporting.

Shareholder meeting results (unaudited)

January 31, 2008 annual meeting

At the meeting, each of the nominees for Trustees was elected, as follows:

| | Votes for | Votes withheld |
|---------------------|------------|----------------|
| Jameson A. Baxter | 73,616,877 | 2,332,146 |
| Charles B. Curtis | 73,589,618 | 2,359,405 |
| Robert J. Darretta | 73,523,937 | 2,425,086 |
| Myra R. Drucker | 73,625,095 | 2,323,928 |
| John A. Hill | 73,605,460 | 2,343,563 |
| Paul L. Joskow | 73,573,111 | 2,375,912 |
| Elizabeth T. Kennan | 73,599,542 | 2,349,481 |
| Kenneth R. Leibler | 73,593,242 | 2,355,781 |
| Robert E. Patterson | 73,654,056 | 2,294,967 |
| W. Thomas Stephens* | 73,596,956 | 2,352,067 |
| Richard B. Worley | 73,630,989 | 2,318,034 |

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| | | |
|--------------------------|------------|-----------|
| Charles E. Haldeman, Jr. | 73,618,165 | 2,330,858 |
| George Putnam, III | 73,651,256 | 2,297,767 |

A proposal to convert the fund to an open-end investment company was defeated as follows:

| Votes for | Votes against | Abstentions | Broker Non Votes |
|-----------|---------------|-------------|------------------|
| 9,828,086 | 32,444,988 | 935,234 | 32,740,715 |

All tabulations are rounded to the nearest whole number.

*Mr. Stephens retired from the Board of Trustees of the Putnam funds on March 14, 2008.

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About the Trustees

Jameson A. Baxter

*Born 1943, Trustee since 1994,
Vice Chairman since 2005*

Ms. Baxter is the President of Baxter Associates, Inc., a private investment firm.

Ms. Baxter serves as a Director of ASHTA Chemicals, Inc., and the Mutual Fund Directors Forum. Until 2007, she was a Director of Banta Corporation (a printing and supply chain management company), Ryerson, Inc. (a metals service corporation), and Advocate Health Care. Until 2004, she was a Director of BoardSource (formerly the National Center for Nonprofit Boards); and until 2002, she was a Director of Intermatic Corporation (a manufacturer of energy control products). She is Chairman Emeritus of the Board of Trustees, Mount Holyoke College, having served as Chairman for five years.

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

Charles B. Curtis

Born 1940, Trustee since 2001

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

Mr. Curtis is a member of the Council on Foreign Relations and serves as Director of Edison International and Southern California Edison. Until 2006, Mr. Curtis served as a member of the Trustee Advisory Council of the Applied Physics Laboratory, Johns Hopkins University. Until 2003, Mr. Curtis was a member of the Electric Power Research Institute Advisory Council and the University of Chicago Board of Governors for Argonne National Laboratory. Prior to 2002, Mr. Curtis was a member of the Board of Directors of the Gas Technology Institute and

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the Board of Directors of the Environment and Natural Resources Program Steering Committee, John F. Kennedy School of Government, Harvard University. Until 2001, Mr. Curtis was a member of the Department of Defense Policy Board and Director of EG&G Technical Services, Inc. (a fossil energy research and development support company).

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

Robert J. Darretta

Born 1946, Trustee since 2007

Mr. Darretta serves as Director of United-Health Group, a diversified health-care company.

Until April 2007, Mr. Darretta was Vice Chairman of the Board of Directors of Johnson & Johnson, one of the world's largest and most broadly based health-care companies. Prior to 2007, he had responsibility for Johnson & Johnson's finance, investor relations, information technology, and procurement function. He served as Johnson & Johnson Chief Financial Officer for a decade, prior to which he spent two years as Treasurer of the corporation and over ten years leading various Johnson & Johnson operating companies.

Mr. Darretta received a B.S. in Economics from Villanova University.

Myra R. Drucker

Born 1948, Trustee since 2004

Ms. Drucker is Chair of the Board of Trustees of Commonfund (a not-for-profit firm specializing in managing assets for educational endowments and foundations), Vice Chair of the Board of Trustees of Sarah Lawrence College, and a member of the Investment Committee of the Kresge Foundation (a charitable trust). She is also a Director of New York Stock Exchange LLC (a wholly-owned subsidiary of NYSE Euronext), and a Director of Interactive Data Corporation (a provider of financial market data and analytics to financial institutions and investors).

Ms. Drucker is an ex-officio member of the New York Stock Exchange (NYSE) Pension Managers Advisory Committee, having served as Chair for seven years. She serves as an advisor to RCM Capital Management (an investment management firm) and to the Employee Benefits Investment Committee of The Boeing Company (an aerospace firm).

From November 2001 until August 2004, Ms. Drucker was Managing Director and a member of the Board of Directors of General Motors Asset Management and Chief Investment Officer of General Motors Trust Bank. From December 1992 to November 2001, Ms. Drucker served as Chief Investment Officer of Xerox Corporation (a document company). Prior to December 1992, Ms. Drucker was Staff Vice President and Director of Trust Investments for International Paper (a paper and packaging company).

Ms. Drucker received a B.A. degree in Literature and Psychology from Sarah Lawrence College and pursued graduate studies in economics, statistics, and portfolio theory at Temple University.

Charles E. Haldeman, Jr.*

*Born 1948, Trustee since 2004 and
President of the Funds since 2007*

Mr. Haldeman is Chairman of Putnam Investment Management, LLC and President of the Putnam Funds. Prior to July 2008, he was President and Chief Executive Officer of Putnam, LLC (Putnam Investments) Prior to November

2003, Mr. Haldeman served as Co-Head of Putnam Investments' Investment Division.

Prior to joining Putnam in 2002, he held executive positions in the investment management industry. He previously served as Chief Executive Officer of Delaware Investments and President and Chief Operating Officer of United Asset Management. Mr. Haldeman was also a

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Partner and Director of Cooke & Bieler, Inc. (an investment management firm).

Mr. Haldeman currently serves on the Board of Governors of the Investment Company Institute and as Chair of the Board of Trustees of Dartmouth College. He also serves on the Partners HealthCare Investment Committee, the Tuck School of Business Overseers, and the Harvard Business School Board of Dean's Advisors. He is a graduate of Dartmouth College, Harvard Law School, and Harvard Business School. Mr. Haldeman is also a Chartered Financial Analyst (CFA) charterholder.

John A. Hill

*Born 1942, Trustee since 1985 and
Chairman since 2000*

Mr. Hill is founder and Vice-Chairman of First Reserve Corporation, the leading private equity buyout firm specializing in the worldwide energy industry, with offices in Greenwich, Connecticut; Houston, Texas; London, England; and Shanghai, China. The firm's investments on behalf of some of the nation's largest pension and endowment funds are currently concentrated in 26 companies with annual revenues in excess of \$13 billion, which employ over 100,000 people in 23 countries.

Mr. Hill is Chairman of the Board of Trustees of the Putnam Mutual Funds, a Director of Devon Energy Corporation and various private companies owned by First Reserve, and serves as a Trustee of Sarah Lawrence College where he chairs the Investment Committee.

Prior to forming First Reserve in 1983, Mr. Hill served as President of F. Eberstadt and Company, an investment banking and investment management firm. Between 1969 and 1976, Mr. Hill held various senior positions in Washington, D.C. with the federal government, including Deputy Associate Director of the Office of Management and Budget and Deputy Administrator of the Federal Energy Administration during the Ford Administration.

Born and raised in Midland, Texas, he received his B.A. in Economics from Southern Methodist University and pursued graduate studies as a Woodrow Wilson Fellow.

Paul L. Joskow

Born 1947, Trustee since 1997

Dr. Joskow is an economist and President of the Alfred P. Sloan Foundation (a philanthropic institution focused primarily on research and education on issues related to science, technology, and economic performance). He is on leave from his position as the Elizabeth and James Killian Professor of Economics and Management at the Massachusetts Institute of Technology (MIT), where he has been on the faculty since 1972. Dr. Joskow was the Director of the Center for Energy and Environmental Policy Research at MIT from 1999 through 2007.

Dr. Joskow serves as a Trustee of Yale University, as a Director of TransCanada Corporation (an energy company focused on natural gas transmission and power services) and of Exelon Corporation (an energy company focused on power services), and as a member of the Board of Overseers of the Boston Symphony Orchestra. Prior to August 2007, he served as a Director of National Grid (a UK-based holding company with interests in electric and gas transmission and distribution and telecommunications infrastructure). Prior to July 2006, he served as President of the Yale University Council and continues to serve as a member of the Council. Prior to February 2005, he served on the board of the Whitehead Institute for Biomedical Research (a non-profit research institution). Prior to February 2002, he was a Director of State Farm Indemnity Company (an automobile

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insurance company), and prior to March 2000, he was a Director of New England Electric System (a public utility holding company).

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

Elizabeth T. Kennan

Born 1938, Trustee since 1992

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

Dr. Kennan served as Chairman and is now Lead Director of Northeast Utilities. She is a Trustee of the National Trust for Historic Preservation, of Centre College, and of Midway College in Midway, Kentucky. Until 2006, she was a member of The Trustees of Reservations. Prior to 2001, Dr. Kennan served on the oversight committee of the Folger Shakespeare Library. Prior to June 2005, she was a Director of Talbots, Inc., and she has served as Director on a number of other boards, including Bell Atlantic, Chastain Real Estate, Shawmut Bank, Berkshire Life Insurance, and Kentucky Home Life Insurance. Dr. Kennan has also served as President of Five Colleges Incorporated and as a Trustee of Notre Dame University, and is active in various educational and civic associations.

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

Kenneth R. Leibler

Born 1949, Trustee since 2006

Mr. Leibler is a founder and former Chairman of the Boston Options Exchange, an electronic marketplace for the trading of derivative securities.

Mr. Leibler currently serves as a Trustee of Beth Israel Deaconess Hospital in Boston. He is also Lead Director of Ruder Finn Group, a global communications and advertising firm, and a Director of Northeast Utilities, which operates New England's largest energy delivery system. Prior to December 2006, he served as a Director of the Optimum Funds group. Prior to October 2006, he served as a Director of ISO New England, the

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organization responsible for the operation of the electric generation system in the New England states. Prior to 2000, Mr. Leibler was a Director of the Investment Company Institute in Washington, D.C.

Prior to January 2005, Mr. Leibler served as Chairman and Chief Executive Officer of the Boston Stock Exchange. Prior to January 2000, he served as President and Chief Executive Officer of Liberty Financial Companies, a publicly traded diversified asset management organization. Prior to June 1990, Mr. Leibler served as President and Chief Operating Officer of the American Stock Exchange (AMEX), and at the time was the youngest person in AMEX history to hold the title of President. Prior to serving as AMEX President, he held the position of Chief Financial Officer, and headed its management and marketing operations. Mr. Leibler graduated magna cum laude with a degree in Economics from Syracuse University, where he was elected Phi Beta Kappa.

Robert E. Patterson

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Born 1945, Trustee since 1984

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

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

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

George Putnam, III

Born 1951, Trustee since 1984

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

Mr. Putnam is a Director of The Boston Family Office, LLC (a registered investment adviser). He is a Trustee of St. Mark's School and a Trustee of the Marine Biological Laboratory in Woods Hole, Massachusetts. Until 2006, he was a Trustee of Shore Country Day School, and until 2002, was a Trustee of the Sea Education Association.

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

Robert L. Reynolds*

Born 1952, Trustee since 2008

Mr. Reynolds is President and Chief Executive Officer of Putnam Investments, and a member of Putnam Investments' Executive Board of Directors. He has more than 30 years of investment and financial services experience.

Prior to joining Putnam Investments in 2008, Mr. Reynolds was Vice Chairman and Chief Operating Officer of Fidelity Investments from 2000 to 2007. During this time, he served on the Board of Directors for FMR Corporation, Fidelity Investments Insurance Ltd., Fidelity Investments Canada Ltd., and Fidelity Management Trust Company. He was also a Trustee of the Fidelity Family of Funds. From 1984 to 2000, Mr. Reynolds served in a number of increasingly responsible leadership roles at Fidelity.

Mr. Reynolds serves on several not-for-profit boards, including those of the West Virginia University Foundation, Concord Museum, Dana-Farber Cancer Institute, Lahey Clinic, and Initiative for a Competitive Inner City in Boston. He is a member of the Chief Executives Club of Boston, the National Innovation Initiative, and the Council on Competitiveness.

Mr. Reynolds received a B.S. in Business Administration/Finance from West Virginia University.

Richard B. Worley

Born 1945, Trustee since 2004

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

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

Prior to joining Permit Capital LLC in 2002, Mr. Worley served as President, Chief Executive Officer, and Chief Investment Officer of Morgan Stanley Dean Witter Investment Management and as a Managing Director of Morgan Stanley, a financial services firm. Mr. Worley also was the Chairman of Miller Anderson & Sherrerd, an investment management firm that was acquired by Morgan Stanley in 1996.

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

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

As of September 30, 2008, there were 99 Putnam funds. All Trustees serve as Trustees of all Putnam funds.

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

** Trustee who is an "interested person" (as defined in the Investment Company Act of 1940) of the fund, Putnam Management, and/or Putnam Retail Management. Mr. Reynolds is President and Chief Executive Officer of Putnam Investments. Mr. Haldeman is the President of your fund and each of the other Putnam funds and Chairman of Putnam Investment Management, LLC, and prior to July 2008 was President and Chief Executive Officer of Putnam Investments.*

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Officers

In addition to Charles E. Haldeman, Jr., the other officers of the fund are shown below:

| | | |
|--|---|--|
| Charles E. Porter (Born 1938) | James P. Pappas (Born 1953) | Wanda M. McManus (Born 1947) Vice President, Senior Associate Treasurer and Assistant Clerk Since 2005 |
| Executive Vice President, Principal Executive Officer, Associate Treasurer, and Compliance Liaison Since 1989 | Vice President Since 2004 Managing Director, Putnam Investments and Putnam Management. During 2002, Chief | Nancy E. Florek (Born 1957) Vice President, |
| Jonathan S. Horwitz (Born 1955) | Operating Officer, Atalanta/Sosnoff Management Corporation | |

| | | |
|--|---|--|
| Senior Vice President and Treasurer | | Assistant Clerk, Assistant Treasurer and Proxy Manager <i>Since 2005</i> |
| <i>Since 2004</i> Prior to 2004, Managing Director, Putnam Investments | Francis J. McNamara, III (<i>Born 1955</i>) Vice President and Chief Legal Officer <i>Since 2004</i> Senior Managing Director, Putnam Investments, Putnam Management and Putnam Retail Management. Prior to 2004, General Counsel, State Street Research & Management Company | |
| Steven D. Krichmar (<i>Born 1958</i>) Vice President and Principal Financial Officer <i>Since 2002</i> Senior Managing Director, Putnam Investments | | |
| Janet C. Smith (<i>Born 1965</i>) Vice President, Principal Accounting Officer and Assistant Treasurer <i>Since 2007</i> Managing Director, Putnam Investments and Putnam Management | Robert R. Leveille (<i>Born 1969</i>) Vice President and Chief Compliance Officer <i>Since 2007</i> Managing Director, Putnam Investments, Putnam Management, and Putnam Retail Management. Prior to 2004, member of Bell Boyd & Lloyd LLC. Prior to 2003, Vice President and Senior Counsel, Liberty Funds Group LLC | |
| Susan G. Malloy (<i>Born 1957</i>) Vice President and Assistant Treasurer <i>Since 2007</i> Managing Director, Putnam Investments | Mark C. Trenchard (<i>Born 1962</i>) Vice President and BSA Compliance Officer <i>Since 2002</i> Managing Director, Putnam Investments | |
| Beth S. Mazor (<i>Born 1958</i>) Vice President <i>Since 2002</i> Managing Director, Putnam Investments | Judith Cohen (<i>Born 1945</i>) Vice President, Clerk and Assistant Treasurer <i>Since 1993</i> | |

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

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Fund information

About Putnam Investments

Founded over 70 years ago, Putnam Investments was built around the concept that a balance between risk and reward is the hallmark of a well-rounded financial program. We manage nearly 100 mutual funds in growth, value, blend, fixed income, and international.

Investment Manager

Robert E. Patterson

| | | |
|--|---|--|
| | | Mark C. Trenchard <i>Vice President and BSA Compliance Officer</i> |
| Putnam Investment Management, LLC | George Putnam, III Robert L. Reynolds | |
| One Post Office Square | Richard B. Worley | Judith Cohen <i>Vice President, Clerk and Assistant Treasurer</i> |
| Investment Sub-Manager | Officers | |
| Putnam Investments Limited | Charles E. Haldeman, Jr. | Wanda M. McManus <i>Vice President, Senior Associate Treasurer and Assistant Clerk</i> |
| 57-59 St James's Street | <i>President</i> | |
| London, England SW1A 1LD | Charles E. Porter | Nancy E. Florek <i>Vice President, Assistant Clerk, Assistant Treasurer and Proxy Manager</i> |
| Marketing Services | <i>Executive Vice President, Principal</i> | |
| Putnam Retail Management | <i>Executive Officer, Associate Treasurer</i> | |
| One Post Office Square Boston, MA 02109 | <i>and Compliance Liaison</i> | |
| Custodian | Jonathan S. Horwitz <i>Senior Vice President and Treasurer</i> | |
| State Street Bank and Trust Company | Steven D. Krichmar <i>Vice President and Principal Financial Officer</i> | |
| Legal Counsel | | |
| Ropes & Gray LLP | Janet C. Smith <i>Vice President, Principal Accounting Officer and Assistant Treasurer</i> | |
| Independent Registered Public Accounting Firm | | |
| KPMG LLP | Susan G. Malloy <i>Vice President and Assistant Treasurer</i> | |
| Trustees | | |

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John A. Hill, *Chairman*

Jameson A. Baxter, *Vice Chairman*

Charles B. Curtis

Robert J. Darretta

Myra R. Drucker

Charles E. Haldeman, Jr.

Paul L. Joskow

Elizabeth T. Kennan

Kenneth R. Leibler

Beth S. Mazor

Vice President

James P. Pappas

Vice President

Francis J. McNamara, III

Vice President and Chief Legal Officer

Robert R. Leveille

Vice President and Chief Compliance Officer

Call 1-800-225-1581 weekdays between 8:30 a.m. and 8:00 p.m. or on Saturday between 9:00 a.m. and 5:00 p.m. Eastern Time, or visit our Web site (www.putnam.com) anytime for up-to-date information about the fund's NAV.

Item 2. Code of Ethics:

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

(c) In May 2008, the Code of Ethics of Putnam Investment Management, LLC was updated in its entirety to include the amendments adopted in August 2007 as well as a several additional technical, administrative and non-substantive changes.

Item 3. Audit Committee Financial Expert:

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

Item 4. Principal Accountant Fees and Services:

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

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| Fiscal year ended | Audit Fees | Audit-Related Fees | Tax Fees | All Other Fees |
|--------------------|------------|--------------------|----------|----------------|
| September 30, 2008 | \$89,000 | \$-- | \$6,000 | \$- |
| September 30, 2007 | \$73,650 | \$-- | \$5,450 | \$- |

For the fiscal years ended September 30, 2008 and September 30, 2007, the fund's independent auditor billed aggregate non-audit fees in the amounts of \$74,733 and \$5,450 respectively, to the fund, Putnam Management and any entity controlling, controlled by or under common control with Putnam Management that provides ongoing services to the fund.

Audit Fees represent fees billed for the fund's last two fiscal years relating to the audit and review of the financial statements included in annual reports and registration statements, and other services that are normally provided in connection with statutory and regulatory filings or engagements.

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

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

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

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

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

| Fiscal year ended | Audit-Related Fees | Tax Fees | All Other Fees | Total Non-Audit Fees |
|--------------------|--------------------|----------|----------------|----------------------|
| September 30, 2008 | \$ - | \$ - | \$ - | \$ - |
| September 30, 2007 | \$ - | \$ - | \$ - | \$ - |

Item 5. Audit Committee of Listed Registrants

(a) The fund has a separately-designated Audit and Compliance Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The Audit and Compliance Committee of the fund's Board of Trustees is composed of the following persons:

Robert E. Patterson (Chairperson)

Robert J. Darretta

Myra R. Drucker

John A. Hill

Kenneth R. Leibler

(b) Not applicable

Item 6. Schedule of Investments:

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

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

Proxy voting guidelines of the Putnam funds

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

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

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

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

The Trustees of the Putnam funds are committed to promoting strong corporate governance practices and encouraging corporate actions that enhance shareholder value through the judicious voting of the funds' proxies. It is the funds' policy to vote their proxies at all shareholder meetings where it is practicable to do so. In furtherance of this,

the funds' have requested that their securities lending agent recall each domestic issuer's voting securities that are on loan, in advance of the record date for the issuer's shareholder meetings, so that the funds may vote at the meetings.

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

I. BOARD-APPROVED PROPOSALS

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

Matters relating to the Board of Directors

Uncontested Election of Directors

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

- The funds will **withhold votes** for the entire board of directors if
- the board does not have a majority of independent directors,
- the board has not established independent nominating, audit, and compensation committees,
- the board has more than 19 members or fewer than five members, absent special circumstances,
- the board has not acted to implement a policy requested in a shareholder proposal that received the support of a majority of the shares of the company cast at its previous two annual meetings, or

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

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

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

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

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

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

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

Commentary:

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

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

Time commitment: Being a director of a company requires a significant time commitment to adequately prepare for and attend the company's board and committee meetings. Directors must be able to commit the time and attention necessary to perform their fiduciary duties in proper fashion, particularly in times of crisis. The funds'

Trustees are concerned about over-committed directors. In some cases, directors may serve on too many boards to make a meaningful contribution. This may be particularly true for senior executives of public companies (or other directors with substantially full-time employment) who serve on more than a few outside boards. The funds may withhold votes from such directors on a case-by-case basis where it appears that they may be unable to discharge their duties properly because of excessive commitments.

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

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

Contested Elections of Directors

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

Classified Boards

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

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

Other Board-Related Proposals

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

Executive Compensation

The funds generally favor compensation programs that relate executive compensation to a company's long-term performance. The funds will vote on **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 and restricted stock plans that will result in an average annual dilution of 1.67% or less (based on the disclosed term of the plan and including all equity-based plans).

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

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

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

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

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

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

Capitalization

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

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

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

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

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

Acquisitions, Mergers, Reincorporations, Reorganizations and Other Transactions

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

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

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

reasons for a reincorporation into another jurisdiction, including especially an offshore jurisdiction.

Anti-Takeover Measures

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

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

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

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

Other Business Matters

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

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

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

□The funds will vote on a **case-by-case basis** on proposals to ratify the selection of independent auditors if there is evidence that the audit firm's independence or the integrity of an audit is compromised.

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

The fund's proxy voting service may identify circumstances that call into question an audit firm's independence or the integrity of an audit. These circumstances may include recent material restatements of financials, unusual audit fees, egregious contractual relationships, and aggressive accounting policies. The funds will consider proposals to ratify the selection of auditors in these circumstances on a case-by-case basis. In all other cases, given the existence of rules that enhance the independence of audit committees and auditors by, for example, prohibiting auditors from performing a range of non-audit services for audit clients, the funds will vote for the ratification of independent auditors.

II. SHAREHOLDER PROPOSALS

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

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

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

□The funds will vote **for** shareholder proposals requiring companies to make cash payments under management severance agreements only if both of the following conditions are met:

□the company undergoes a change in control, and

□the change in control results in the termination of employment for the person receiving the severance payment.

□The funds will vote **on a case-by-case basis** on shareholder proposals requiring companies to accelerate vesting of equity awards under management severance agreements only if both of the following conditions are met:

□the company undergoes a change in control, and

□the change in control results in the termination of employment for the person receiving the severance payment.

□The funds will vote **on a case-by-case basis** on shareholder proposals to limit a company's ability to make excise tax gross-up payments under management severance agreements.

□The funds will vote **on a case-by-case basis** on shareholder proposals requesting that the board adopt a policy to recoup, in the event of a significant restatement of financial results or significant extraordinary write-off, to the fullest extent practicable, for the benefit of the company, all performance-based bonuses or awards that were paid to senior executives based on the company having met or exceeded specific performance targets to the extent that the specific performance targets were not, in fact, met.

□The funds will vote **for** shareholder proposals requiring a company to report on its executive retirement benefits (e.g., deferred compensation, split-dollar life insurance, SERPs and pension benefits).

□The funds will vote **for** shareholder proposals requiring a company to disclose its relationships with executive compensation consultants (e.g., whether the company, the board or the compensation committee retained the consultant, the types of services provided by the consultant over the past five years, and a list of the consultant's clients on which any of the company's executives serve as a director).

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

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

Commentary: In light of the substantial reforms in corporate governance that are currently underway, the funds' Trustees believe that effective corporate reforms should be promoted by holding boards of directors □ and in particular their independent directors □ accountable for their actions, rather than by 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.

However, the funds generally support shareholder proposals to declassify a board or to require shareholder approval of shareholder rights plans. The funds' Trustees believe that these shareholder proposals further the goals of reducing management entrenchment and conflicts of interest, and aligning management's interests with shareholders' interests in evaluating proposed acquisitions of the company. The Trustees also believe that shareholder proposals to limit severance payments may further these goals in some instances. In general, the funds favor arrangements in which severance payments are made to an executive only when there is a change in control and the executive loses his or her job as a result. Arrangements in which an executive receives a payment upon a change of control even if the executive retains employment introduce potential conflicts of interest and may distract management focus from the long term success of the company.

In evaluating shareholder proposals that address severance payments, the funds distinguish between cash and equity payments. The funds generally do not favor cash payments to executives upon a change in control transaction if the executive retains employment. However, the funds recognize that accelerated vesting of equity incentives, even without termination of employment, may help to align management and shareholder interests in some instances, and will evaluate shareholder proposals addressing accelerated vesting of equity incentive payments on a case-by-case basis.

When severance payments exceed a certain amount based on the executive's previous compensation, the payments may be subject to an excise tax. Some compensation arrangements provide for full excise tax gross-ups, which means that the company pays the executive sufficient additional amounts to cover the cost of the excise tax. The funds are concerned that the benefits of providing full excise tax gross-ups to executives may be outweighed by the cost to the company of the gross-up payments. Accordingly, the funds will vote on a case-by-case basis on shareholder proposals to curtail excise tax gross-up payments. The funds generally favor arrangements in which severance payments do not trigger an excise tax or in which the company's obligations with respect to gross-up payments are limited in a reasonable manner.

The funds' Trustees will also consider whether a company's severance payment arrangements, taking all of the pertinent circumstances into account, constitute excessive compensation.

The funds' Trustees believe that performance-based compensation can be an effective tool for aligning management and shareholder interests. However, to fulfill its purpose, performance compensation should only be paid to executives if the performance targets are actually met. A significant restatement of financial results or a significant extraordinary write-off may reveal that executives who were previously paid performance compensation did not actually deliver the required business performance to earn that compensation. In these circumstances, it may be appropriate for the company to recoup this performance compensation. The fund will consider on a case by case basis shareholder proposals requesting that the board adopt a policy to recoup, in the event of a significant restatement of financial results or significant extraordinary write-off, performance-based bonuses or awards paid to senior executives based on the company

having met or exceeded specific performance targets to the extent that the specific performance targets were not, in fact, met. The fund does not believe that such a policy should necessarily disadvantage a company in recruiting executives, as executives should understand that they are only entitled to performance compensation based on the actual performance they deliver.

The funds' Trustees also believe that shareholder proposals that are intended to increase transparency, particularly with respect to executive compensation, without establishing rigid restrictions upon a company's ability to attract and motivate talented executives, are generally beneficial to sound corporate governance without imposing undue burdens. The funds will generally support shareholder proposals calling for reasonable disclosure.

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

Many of the Putnam funds invest on a global basis, and, as a result, they may hold, and have an opportunity to vote, shares in non-U.S. issuers — i.e., issuers that are incorporated under the laws of foreign jurisdictions and whose shares are not listed on a U.S. securities exchange or the NASDAQ stock market.

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

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

Protection for shareholders of non-U.S. issuers may vary significantly from jurisdiction to jurisdiction. Laws governing non-U.S. issuers may, in some cases, provide substantially less protection for shareholders than do U.S. laws. As a result, the guidelines applicable to U.S.

issuers, which are premised on the existence of a sound corporate governance and disclosure framework, may not be appropriate under some circumstances for non-U.S. issuers. However, the funds will vote proxies of non-U.S. issuers **in accordance with the guidelines applicable to U.S. issuers**, except as follows:

Uncontested Election of Directors

Germany

For companies subject to co-determination, the funds will vote on **case by-case basis** for the election of nominees to the supervisory board.

The funds will **withhold votes** for the election of a former member of the company's managerial board to chair of the supervisory board.

Commentary: German corporate governance is characterized by a two-tier board system—a managerial board composed of the company's executive officers, and a supervisory board. The supervisory board appoints the members of the managerial board. Shareholders elect members of the supervisory board, except that in the case of companies with more than 2,000 employees, company employees are allowed to elect half of the supervisory board members. This co-determination practice may increase the chances that the supervisory board of a large German company does not contain a majority of independent members. In this situation, under the Fund's proxy voting guidelines applicable to U.S. issuers, the funds would vote against all nominees. However, in the case of companies subject to co-determination, the Funds will vote for supervisory board members on a case-by-case basis, so that the funds can support independent nominees.

Consistent with the funds' belief that the interests of shareholders are best protected by boards with strong, independent leadership, the funds will withhold votes for the election of former chairs of the managerial board to chair of the supervisory board.

Japan

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

the board does not have a majority of **outside directors**,

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

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

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

Commentary:

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

Definition of outside director and independent director: Corporate governance principles in Japan focus on the distinction between outside directors and independent directors. Under these principles, an outside director is a director who is not and has

never been a director, executive, or employee of the company or its parent company, subsidiaries or affiliates. An outside director is "independent" if that person can make decisions completely independent from the managers of the company, its parent, subsidiaries, or affiliates and does not have a material relationship with the company (i.e., major client, trading partner, or other business relationship; familial relationship with current director or executive; etc.). The guidelines have incorporated these definitions in applying the board independence standards above.

Korea

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

the board does not have a majority of outside directors,

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

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

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

Russia

The funds will vote on a **case-by-case basis** for the election of nominees to the board of directors.

Commentary: In Russia, director elections are typically handled through a cumulative voting process. Cumulative voting allows shareholders to cast all of their votes for a single nominee for the board of directors, or to allocate their votes among nominees in any other way. In contrast, in "regular" voting, shareholders may not give more than one vote per share to any single nominee. Cumulative voting can help to strengthen the ability of minority shareholders to elect a director.

In Russia, as in some other emerging markets, standards of corporate governance are usually behind those in developed markets. Rather than vote against the entire board of directors, as the funds generally would in the case of a company whose board fails to meet the funds' standards for independence, the funds may, on a case by case basis, cast all of their votes for one or more independent director nominees. The funds believe that

it is important to increase the number of independent directors on the boards of Russian companies to mitigate the risks associated with dominant shareholders.

United Kingdom

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

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

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

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

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

Commentary:

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

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

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

Other Matters

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

As adopted February 15, 2008

Proxy Voting Procedures of the Putnam Funds

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

The role of the funds' Trustees

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

The role of the proxy voting service

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

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

The role of the Proxy Coordinator

Each year, a member of the Office of the Trustees is appointed Proxy Coordinator to assist in the coordination and voting of the funds' proxies. The Proxy Coordinator will deal directly with the proxy voting service and, in the case

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

Voting procedures for referral items

As discussed above, the proxy voting service will refer proxy questions to the Proxy Coordinator under certain circumstances. When the application of the proxy voting guidelines is unclear or a particular proxy question is not covered by the guidelines (and does not involve investment considerations), the Proxy Coordinator will assist in interpreting the guidelines and, as appropriate, consult with one of more senior staff members of the Office of the Trustees and the Chair of the Board Policy and Nominating Committee on how the funds' shares will be voted.

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

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

Conflicts of interest

Occasions may arise where a person or organization involved in the proxy voting process may have a conflict of interest. A conflict of interest may exist, for example, if Putnam Management has a business relationship with (or is actively soliciting business from) either the company soliciting the

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

As adopted March 11, 2005

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

(a)(1) **Portfolio Managers.** The officers of Putnam Management identified below are primarily responsible for the day-to-day management of the fund's portfolio.

| Portfolio Manager(s) | Joined Fund | Employer | Positions Over Past Five Years |
|-----------------------------|--------------------|--|---|
| William Kohli | 2002 | Putnam Management 1994 – Present | Team Leader, Portfolio Construction Previously Director, Global Core Team |
| Michael Atkin | 2007 | Putnam Management 1997 – Present | Senior Economist Previously, Team Leader Country Analysis |
| Rob Bloemker | 2005 | Putnam Management 1999 – Present | Deputy Head of Investments CIO Taxable Fixed Income, and Tax Exempt Fixed Income and Fixed Income Money Market Teams |
| Kevin Murphy | 2007 | Putnam Management 1999 – Present | Team Leader, High Grade Credit Team Previously, Investment Strategist |
| Paul Scanlon | 2005 | Putnam Management 1999 – Present | Team Leader, U.S. High Yield Team Previously, Portfolio Manager; Analyst |

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

The following table shows the number and approximate assets of other investment accounts (or portions of investment accounts) that the fund's Portfolio Manager(s) managed as of the fund's most recent fiscal year-end. Unless noted, none of the other accounts pays a fee based on the account's performance.

| Portfolio Manager(s) | Other SEC-registered open-end and closed-end funds | Other accounts that pool assets from more than one client | Other accounts (including separate accounts, managed account programs and single-sponsor defined contribution plan offerings) |
|-----------------------------|---|--|--|
|-----------------------------|---|--|--|

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| | Number of accounts | Assets | Number of accounts | Assets | Number of accounts | Assets |
|---------------|--------------------------|-----------------|--------------------------|------------------|--------------------------|------------------|
| William Kohli | 5 | \$3,346,700,000 | 10 | \$1,289,800,000 | 9 | \$2,479,800,000 |
| Rob Bloemker | 15 | \$9,252,100,000 | 28 | \$12,278,100,000 | 30* | \$12,366,000,000 |
| Michael Atkin | 5 | \$3,346,700,000 | 4 | \$462,000,000 | 4 | \$1,851,800,000 |
| Paul Scanlon | 10 | \$6,171,600,000 | 13 | \$1,143,600,000 | 5 | \$437,100,000 |
| Kevin Murphy | 10 | \$7,046,100,000 | 21 | \$8,316,600,000 | 22 | \$7,768,400,000 |

* 3 accounts, with total assets of \$1,614,100,000, pay an advisory fee based on account performance.

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

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

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

□ The trading of higher-fee accounts could be favored as to timing and/or execution price. For example, higher-fee accounts could be permitted to sell securities earlier than other accounts when a prompt sale is desirable or to buy securities at an earlier and more opportune time.

□ The trading of other accounts could be used to benefit higher-fee accounts (front- running).

□ The investment management team could focus their time and efforts primarily on higher-fee accounts due to a personal stake in compensation.

Putnam Management attempts to address these potential conflicts of interest relating to higher-fee accounts through various compliance policies that are generally intended to place all accounts, regardless of fee structure, on the same footing for investment management purposes. For example, under Putnam Management's policies:

□ Performance fee accounts must be included in all standard trading and allocation procedures with all other accounts.

□ All accounts must be allocated to a specific category of account and trade in parallel with allocations of similar accounts based on the procedures generally applicable to all accounts in those groups (e.g., based on relative risk budgets of accounts).

□ All trading must be effected through Putnam's trading desks and normal queues and procedures must be followed (i.e., no special treatment is permitted for performance fee accounts or higher-fee accounts based on account fee structure). □ Front running is strictly prohibited.

□ The fund's Portfolio Manager(s) may not be guaranteed or specifically allocated any portion of a performance fee.

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

Potential conflicts of interest may also arise when the Portfolio Manager(s) have personal investments in other accounts that may create an incentive to favor those accounts. As a general matter and subject to limited exceptions, Putnam Management's investment professionals do not have the opportunity to invest in client accounts, other than the Putnam funds. However, in the ordinary course of business, Putnam Management or related persons may from time to time establish "pilot" or "incubator" funds for the purpose of testing proposed investment strategies and products prior to offering them to clients. These pilot accounts may be in the form of registered investment companies, private funds such as partnerships or separate accounts established by Putnam Management or an affiliate. Putnam Management or an affiliate supplies the funding for these accounts. Putnam employees, including the fund's Portfolio Manager(s), may also invest in certain pilot accounts. Putnam Management, and to the extent applicable, the Portfolio Manager(s) will benefit from the favorable investment performance of those funds and accounts. Pilot funds and accounts may, and frequently do, invest in the same securities as the client accounts. Putnam Management's policy is to treat pilot accounts in the same manner as client accounts for purposes of trading allocation □ neither favoring nor disfavoring them except as is legally required. For example, pilot accounts are normally included in Putnam Management's daily block trades to the same

extent as client accounts (except that pilot accounts do not participate in initial public offerings).

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

□Cross trades,□ in which one Putnam account sells a particular security to another account (potentially saving transaction costs for both accounts), may also pose a potential conflict

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

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

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

(a)(3) **Compensation of portfolio managers.** Putnam's goal for our products and investors is to deliver top quartile or better performance over a rolling 3-year period versus peers on a pre-tax basis. For this fund, the peer group Putnam compares fund performance against is its broad investment category as determined by Lipper Inc. and identified in the shareholder report included in Item 1. Each portfolio manager is assigned an industry competitive incentive compensation target for achieving this goal. The target is based in part on the type and amount of assets the individual manages. The target increases or decreases depending on whether the portfolio manager's performance is higher or lower than the top quartile, subject to a maximum increase of 50%, for a portfolio manager who outperforms at least 90% of his or her peer group, and a maximum decrease of 100%, for a portfolio manager who outperforms less than 25% of his or her peer group. For example, the target of a portfolio manager who outperforms 50% of his or her peer group would decrease 50%. Investment performance of a portfolio manager is asset-weighted across the products he or she manages.

Portfolio manager incentive compensation targets are also adjusted for company performance/economics. Actual incentive compensation may be greater or less than a portfolio manager's target, as it takes into consideration team/group performance and qualitative performance factors. Incentive compensation includes a cash bonus and may also include grants of restricted stock or options. In addition to incentive compensation, portfolio managers receive fixed annual salaries typically based on level of responsibility and experience.

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

N/A indicates the individual was not a Portfolio Leader or Portfolio Member as of 9/30/07.

(b) Not applicable

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

Registrant Purchase
of Equity Securities

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs* | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs** |
|--------|--|------------------------------------|--|--|
| | | | | |

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| | | | | |
|--------------------|------------|--------|---------------|-----------|
| October 1 - | | | | |
| October 5, 2007 | - | - | - | - |
| October 6 - | | | | |
| October 31, 2007 | - | - | - | 8,113,703 |
| November 1 - | | | | |
| November 30, 2007 | 215,098 | \$6.31 | 215,098 | 7,898,605 |
| December 1 - | | | | |
| December 31, 2007 | 51,487 | \$6.36 | 51,487 | 7,847,118 |
| January 1 - | | | | |
| January 31, 2008 | - | - | - | 7,847,118 |
| February 1 - | | | | |
| February 28, 2008 | - | - | - | 7,847,118 |
| March 1 - | | | | |
| March 31, 2008 | - | - | - | 7,847,118 |
| April 1 - | | | | |
| April 30, 2008 | 12,130,566 | \$6.64 | 12,130,566*** | 7,847,118 |
| May 1 - | | | | |
| May 31, 2008 | - | - | - | 7,847,118 |
| June 1 - | | | | |
| June 30, 2008 | - | - | - | 7,847,118 |
| July 1 - | | | | |
| July 31, 2008 | - | - | - | 7,847,118 |
| August 1 - | | | | |
| August 31, 2008 | - | - | - | 7,847,118 |
| September 1 - | | | | |
| September 30, 2008 | 2,099,370 | \$5.29 | 2,099,370 | 5,747,748 |

*The Board of Trustees announced a repurchase plan on October 7, 2005 for which **5,015,654** shares were approved for repurchase by the fund. The repurchase plan was approved through October 6, 2006. On March 10, 2006, the Trustees announced that the repurchase program was increased to allow repurchases of up to a total of 10,031,308 shares over the original term of the program. On September 15, 2006, the Trustees voted to extend the term of the repurchase program through October 6, 2007. In September 2007, the Trustees announced that the repurchase program was increased to allow repurchases up to a total 8,113,703 shares through October 7, 2008. In September 2008, the Trustees announced that the repurchase program was increased to allow repurchases up to a total of 6,664,051 shares through October 7, 2009.

**Information prior to October 6, 2007 is based on the total number of shares eligible for repurchase under the program, as amended through September 15, 2006. Information from October 6, 2007 forward is based on the total number of shares eligible for repurchase under the program, as amended through September 2007.

*** Includes 12,130,566 shares repurchased by the fund pursuant to an issuer tender offer that concluded during the period. Shares repurchased as part of this tender offer were repurchased at \$6.64 per share, which represented approximately 99% of the fund's per-share net asset value on the expiration date of the tender offer.

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

Not applicable

Item 11. Controls and Procedures:

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

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

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

Item 12. Exhibits:

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

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

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

SIGNATURES

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

Putnam Master Intermediate Income Trust

By (Signature and Title):

/s/Janet C. Smith

Janet C. Smith
Principal Accounting Officer

Date: November 26, 2008

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

By (Signature and Title):

/s/Charles E. Porter

Charles E. Porter
Principal Executive Officer

Date: November 26, 2008

By (Signature and Title):

/s/Steven D. Krichmar

Steven D. Krichmar
Principal Financial Officer

Date: November 26, 2008

