

PUTNAM HIGH INCOME SECURITIES FUND
Form N-CSRS
April 27, 2007

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- 05133)

Exact name of registrant as specified in charter: Putnam High Income Securities Fund

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

Name and address of agent for service: Beth S. Mazor, Vice President
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Registrant's telephone number, including area code: (617) 292-1000

Date of fiscal year end: August 31, 2007

Date of reporting period: September 1, 2006 - February 28, 2007

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?

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

THE PRUDENT MAN RULE

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

A time-honored tradition in money management

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

A prudent approach to investing

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

Funds for every investment goal

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

A commitment to doing what's right for investors

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

Industry-leading service

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

Putnam High Income Securities Fund

2|28|07 *Semiannual Report*

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Message from the Trustees

Dear Fellow Shareholder

From our present vantage point, it has become apparent that certain sectors of the U.S. economy have slowed somewhat, although the global economy continues to demonstrate healthy growth. In recent weeks, financial markets have reflected increased uncertainty about the effects of the housing market decline and tighter credit standards by mortgage lenders on the U.S. economy. However, we believe that the U.S. economy is flexible enough to adapt to these challenges, just as it has adapted to other challenges that have arisen in the course of the recent economic expansion.

As you may have heard, on February 1, 2007, Marsh & McLennan Companies, Inc. announced that it had signed a definitive agreement to sell its ownership interest in Putnam Investments Trust, the parent company of Putnam Management and its affiliates, to Great-West Lifeco Inc. Great-West Lifeco Inc. is a financial services holding company with operations in Canada, the United States, and Europe and is a member of the Power Financial Corporation group of companies. This transaction is subject to regulatory approvals and other conditions, including the approval of new management contracts by shareholders of a substantial number of Putnam funds at shareholder meetings scheduled for May 15, 2007. Proxy solicitation materials related to these meetings, which provide detailed information regarding the proposed transaction, were recently mailed. We currently expect the transaction to be completed by the middle of 2007.

Putnam's team of investment and business professionals will continue to be led by Putnam President and Chief Executive Officer Ed Haldeman. Your Trustees have been actively involved through every step of the discussions, and we will continue in our role of overseeing the Putnam funds on your behalf.

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We would like to take this opportunity to announce that a new independent Trustee, Kenneth R. Leibler, has joined your fund's Board of Trustees. Mr. Leibler has had a distinguished career as a leader in the investment management industry. He is a founding partner of and advisor to the Boston Options Exchange; a Trustee of Beth Israel Deaconess Hospital in Boston; a lead director of Ruder Finn Group, a global communications and advertising firm; and a director of Northeast Utilities.

In the following pages, members of your fund's management team discuss the fund's performance and strategies for the fiscal period ended February 28, 2007, and provide their outlook for the months ahead. As always, we thank you for your support of the Putnam funds.

Putnam High Income Securities Fund: opportunities from high-yield bonds and convertibles

The average investor may think of bonds as government-sponsored securities that offer relatively low risk and less volatility than the stock market. However, high-yield corporate bonds and convertible securities, the types of investments held by Putnam High Income Securities Fund, are different. Both are issued by companies rather than the government. Moreover, high-yield corporates and convertibles can offer greater returns than other bonds but carry a greater potential for risk, such as the risk of corporate default or periodic illiquidity.

High-yield bonds are deemed to be less than investment-grade status (rated below Baa), which means their issuing companies are considered more likely to default on their loans than more creditworthy counterparts. High-yield bond prices tend to follow individual companies' fundamentals as well as interest-rate levels. While lower-rated corporate bonds may carry higher risk, they provide potentially higher levels of yield to compensate investors for that risk. That is why extensive research based on credit analysis is vital to identifying better high-yield issuers with a lower risk of default.

What sets convertible securities apart is a unique built-in option that allows the investor to exchange or convert the bond for a fixed number of shares of stock of the issuer. Convertible securities pay interest like most bonds, and the amount does not change as the underlying stock's price increases or decreases. Issuers range from large, well-known S&P 500 corporations to small, rapidly growing companies to those in cyclically depressed industries such as airlines, autos, and utilities.

Building a portfolio of high-yield bonds and convertible securities with the appropriate balance of risk and return potential requires intensive research and analysis. In the case of Putnam High Income Securities Fund, Putnam's global equity and credit research analysts conduct rigorous research to determine the true worth of the issuing company's business. The fund's portfolio team then constructs a portfolio that it believes offers the best return potential without undue risk.

Lower-rated bonds may offer higher yields in return for more risk. Mutual funds that invest in bonds are subject to certain risks, including interest-rate risk, credit risk, and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. The fund's shares trade on a stock exchange at market prices, which may be lower than the fund's net asset value.

The busted convertible

One kind of security in which your fund may invest is the busted convertible. Busted refers to a security whose underlying stock price has fallen significantly below the conversion price. It becomes much less sensitive to the volatility of the underlying stock and is more bond-like, responding to interest-rate changes. A busted convertible may pay a higher yield than other convertibles, but may also carry a higher level of risk. (Some companies in this situation may eventually default on their bonds.)

The objective of buying a busted convertible is to take advantage of a company's eventual turnaround despite present challenges. For example, a company undergoing management turmoil may draw negative investor reactions, causing its stock price to tumble. However, if intensive research determines that the management crisis is likely to be resolved, the fund manager could buy the security at a steep discount. The goal is to sell it at a higher premium once the situation is corrected and the price of the security recovers.

Putnam High Income Securities Fund has held convertible securities from a variety of sectors and industries.

Putnam High Income Securities Fund seeks high current income and, as a secondary objective, capital appreciation by investing in a portfolio of high-yielding convertible and nonconvertible securities.

Highlights

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For the six months ended February 28, 2007, Putnam High Income Securities Fund had a total return of 9.76% at net asset value (NAV) and 13.16% at market price.

The fund's primary benchmark, the Merrill Lynch All-Convertibles Speculative Quality Index, returned 10.82%. The fund's secondary benchmark, the JPMorgan Developed High Yield Index, returned 8.47%.

The average return for the fund's Lipper category, Convertible Securities Funds (closed-end), was 8.42%.

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

Performance

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

Putnam High Income Securities Fund (NYSE ticker: PCF), total return for periods ended 2/28/07

Since the fund's inception (7/9/87), average annual return is 10.37% at NAV and 9.53% at market price.

	Average annual return		Cumulative return	
	NAV	Market price	NAV	Market price
10 years	8.76%	7.29%	131.68%	102.18%
5 years	14.03	11.15	92.81	69.63
3 years	10.48	10.27	34.84	34.08
1 year	14.75	17.24	14.75	17.24
6 months			9.76	13.16

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

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Report from the fund managers

The period in review

Your fund delivered strong returns during the six months ended February 28, 2007. An advancing equity market over most of the period provided a favorable backdrop for both high-yield convertibles and bonds, since these securities tend to be influenced more by fundamentals supportive of common stocks and less by interest-rate trends. Solid

overall security selection and a continuing emphasis on prudent risk management enabled your fund to deliver stronger results than both its secondary, high-yield bond benchmark and the average for its Lipper peer group. However, due to the strong performance of certain types of convertible securities that are represented in the fund's primary benchmark but not generally included in the fund's portfolio, the fund's results at NAV lagged those of the primary benchmark.

Market overview

Both high-yield convertibles and high-yield bonds rallied during the semiannual period, reflecting the positive influences of continuing economic growth, a stream of positive earnings reports, historically low default rates, and signs that inflation may be in check. Higher-risk assets in general benefited from the Federal Reserve's (the Fed's) decision in August 2006 to hold the federal funds rate—a key benchmark for overnight loans between banks—steady at 5.25%.

Prior to the Fed's policy change, equity and high-yield securities markets had suffered from rising interest rates and concern about the potential for income-eroding inflation that these increases signaled. Once investors concluded that the hoped-for soft landing the Fed was trying to engineer appeared likely, market sentiment turned positive and equity and high-yield markets rallied. (A soft landing occurs when economic growth slows to less than inflationary levels but is still strong enough to sustain job creation and corporate profits.) This rally lasted until the final days of the period when an equity market sell-off in China sparked a chain reaction across all higher-risk asset classes, including high-yield bonds.

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Despite this downturn, high-yield convertibles and bonds ended the period with healthy returns.

The uptrend in the stock market created a supportive environment in the convertibles market for much of the period. This environment was especially favorable for speculative convertibles that are associated with the volatile stocks of relatively weak companies. These convertibles fall outside the realm of the fund's normal investment universe, although they do make up a substantial portion of its primary benchmark, the Merrill Lynch All-Convertibles Speculative Quality Index, and their strength during the period accounts for the fund's underperformance of the index.

Strategy overview

Your fund invests mainly in a combination of convertible securities and high-yield corporate bonds, relying on our in-depth analysis of individual securities to help us identify what we consider to be the most attractive opportunities. In the convertibles market, we prefer to invest in securities with relatively short maturities. If problems develop with a company's capital structure—as when a firm takes on too much debt when its business is slowing—then debt with shorter maturities, including convertibles, will often be retired first as the company restructures its balance sheet. Therefore, keeping the focus on shorter-maturity convertibles may provide the fund with an added layer of security.

Market sector performance

These indexes provide an overview of performance in different market sectors for the six months ended 2/28/07.

Bonds

Merrill Lynch All-Convertibles Speculative Quality Index (high-yield U.S. convertible securities)	10.82%
JPMorgan Developed High Yield Index (high-yield corporate bonds)	8.47%
Lehman Aggregate Bond Index (broad bond market)	3.66%
Lehman Global Aggregate Bond Index (international bonds)	3.12%

Equities

S&P 500 Index (broad stock market)	8.93%
Russell 2000 Index (small-company stocks)	10.76%
MSCI EAFE Index (international stocks)	12.17%

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On the high-yield bond side of the portfolio, we continued to favor the middle-quality tiers of the market while trimming exposure to higher-risk securities as opportunities arose. While we expect this strategy to prove rewarding over the long term, it detracted from results during the period, as lower-rated bonds outperformed.

Against the backdrop of positive fundamental and supply-and-demand factors, high-yield bond spreads the yield advantage offered by high-yield bonds over comparable Treasuries remained at historically low levels, meaning investors were not being compensated for taking on the additional risk carried by lower-quality bonds. For this reason, and in light of the potential for a slowdown in economic growth, we endeavored to reduce the overall risk profile of the fund's high-yield holdings.

Your fund's holdings

Among the fund's convertible holdings, the top contributor to results during the period was a sizable out-of-benchmark position in **Pinnacle Airlines**, a regional carrier that provides service primarily for Northwest Airlines. In December, Pinnacle renewed its contract with Northwest and negotiated terms that were better than many observers were expecting. The new contract effectively

Portfolio composition comparison*

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

* Excludes short-term investments held as collateral for loaned securities.

Amount represents less than 0.1%.

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guaranteed that Pinnacle would continue to play a major role as a feeder airline for Northwest. As a result, the price of Pinnacle's stock appreciated dramatically toward the end of 2006, driving up the price of the firm's convertibles accordingly. Because the convertible had a high yield when initially purchased by the fund, the total return on the fund's position yield plus price appreciation was outstanding. In many respects, the fund's investment in Pinnacle provides an ideal example of what is possible when an equity-sensitive, high-yield convertible reflects developments that are highly favorable for its issuer's business prospects. Given the strong advance in the convertible's price, we took profits and sold the position prior to the end of the period.

Other notable contributors to performance during the period were real estate investment trust **Simon Property Group**, electric utility **Entergy Corporation**, and property and casualty insurer **Alleghany Corporation**. Simon Property benefited from a favorable operating environment; many of its retail tenants posted strong sales results, which translated into higher minimum rents for the mall developer and operator. Entergy, meanwhile, enjoyed improved earnings thanks to higher nuclear and fossil-fuel wholesale prices, and fewer plant outages. Lastly, Alleghany was helped by better-than-expected earnings

Top holdings

This table shows the fund's top holdings, and the percentage of the fund's net assets that each comprised, as of 2/28/07. The fund's holdings will change over time.

Holding (percent of fund's net assets)	Security information	Sector
Convertible securities		
Northrop Grumman Corp. (2.3%)	Ser. B, \$7.00 cum. cv. pfd.	Capital goods
General Motors Corp. (1.7%)	Ser. A, \$1.125 cv. pfd.	Consumer cyclicals
Schering-Plough Corp. (1.5%)	\$3.00 cv. pfd.	Health care
Nash Finch Co. (1.3%)	Cv. sr. sub. notes stepped-coupon 1.631% (zero %, 3/15/13) 2035	Consumer staples
Crown Castle International Corp. (1.3%)	\$3.125 cum. cv. pfd.	Communications services
Corporate bonds and notes		
General Motors Corp. (0.4%)	Notes 7.2%, 2011	Consumer cyclicals
NRG Energy, Inc. (0.4%)	Sr. notes 7.375%, 2016	Utilities and power
CCH I, LLC/Capital Corp. (0.4%)	Sec. notes 11%, 2015	Consumer staples
HCA, Inc. (0.3%)	144A sec. notes 9.25%, 2016	Health care
Baldor Electric Co. (0.3%)	Company guaranty 8.625%, 2017	Capital goods

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during its most recent fiscal quarter (many analysts were forecasting a quarterly loss), and strong underwriting performance within all of the company's insurance subsidiaries.

Compared to the fund's primary benchmark, the fund's underweight positions **General Motors** and **Ford** were the principal detractors from relative performance during the period. Under most circumstances, we believe that holding the concentrated positions in these securities that would be necessary to match their representation in the benchmark would not be appropriate under the fund's investment strategy.

The fund continued to benefit from exposure to high-yield securities in the energy sector, where business fundamentals remained strong due to relatively high global demand. In fact, the overall top contributor among the fund's high-yield holdings was **XCL**, an oil and natural gas exploration and production company. XCL's securities rose significantly on news reports of potential acquirers bidding for the company. In addition, positive fundamentals drove up the value of bonds issued by natural gas companies **El Paso Corp.** and the **Williams Companies, Inc.** El Paso owns North America's largest natural gas pipeline system and is one of the biggest independent natural gas producers on the continent. Williams is also in the business of natural gas exploration, production, processing, and transportation. Natural gas demand from both electrical

power-generation companies and individual consumers has continued to grow.

Our avoidance of distressed bonds (bonds rated CCC and below) was the primary detractor from high-yield bond results during the period. The lowest-rated securities rallied amid strong demand for yield and a willingness among investors to take on additional risk. Bonds issued by companies in the midst of bankruptcy proceedings, including electric utility Calpine, airline giants Delta and Northwest, and automotive component maker Delphi, were among the strongest performers during the period, but the fund did not benefit from their strength because it didn't own them. However, we continue to believe that over the long term, limiting the fund's exposure to distressed bonds is one of the best ways to provide investors with relatively stable returns.

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.

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The outlook for your fund

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

In light of the exceptionally robust total return generated by the fund's convertible holdings during the period, we believe the strength of recent convertible performance may not be sustainable. Broader trends in convertible prices are influenced primarily by two key factors: credit spreads, or the difference in yield between higher- and lower-quality bonds, and the direction of the broad equity market. While we remain generally optimistic about the prospects for equity performance, credit spreads have tightened dramatically. This limits the price appreciation potential of high-yielding, lower-quality bonds in comparison to U.S. Treasury securities. Given this combination of circumstances, we believe that during the balance of the fund's 2007 fiscal year, returns from the fund's convertible holdings will be driven by yield rather than capital appreciation potential.

As we progress through the second half of fiscal 2007, our strategy in the convertibles market will be to maintain our focus on high-yielding issues that are more sensitive to movements in the underlying common stock. We will continue our efforts to avoid companies that exhibit significant credit risk. After a period of sustained economic expansion such as we have recently seen in the United States, companies that carry substantial credit risk are often in extremely poor financial condition.

In the high-yield bond market, while the business fundamentals of many issuers are solid, our approach to risk management calls for avoiding the lowest-quality segments of the market. As noted above, high-yield spreads relative to Treasuries are tight based on historical averages, indicating that high-yield bonds are selling at relatively high valuations. Ordinarily, this would be of significant concern. However, defaults remain at low levels and show no sign of spiking. Therefore, we find valuations to be reasonable, as long as the default rate does not increase. Nevertheless, as with the fund's high-yield convertible holdings, over the near term we believe returns from high-yield bonds will be driven primarily by yield rather than price appreciation potential.

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

Lower-rated bonds may offer higher yields in return for more risk. Mutual funds that invest in bonds are subject to certain risks, including interest-rate risk, credit risk, and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. The fund's shares trade on a stock exchange at market prices, which may be higher or lower than the fund's net asset value.

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Your fund's performance

This section shows your fund's performance for periods ended February 28, 2007, the end of the first half of its current fiscal year. In accordance with regulatory requirements for mutual funds, we also include performance as of the most recent calendar quarter-end. Performance should always be considered in light of a fund's investment strategy. Data represents past performance. Past performance does not guarantee future results. More recent returns may be 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 2/28/07

	NAV	Market price
Annual average		
Life of fund (since 7/9/87)	10.37%	9.53%
10 years	131.68	102.18
Annual average	8.76	7.29
5 years	92.81	69.63
Annual average	14.03	11.15
3 years	34.84	34.08
Annual average	10.48	10.27
1 year	14.75	17.24
6 months	9.76	13.16

*Performance assumes reinvestment of distributions and does not account for taxes.***Fund performance as of most recent calendar quarter**

Total return for periods ended 3/31/07

	NAV	Market price
Annual average		
Life of fund (since 7/9/87)	10.36%	9.58%
10 years	136.21	109.08
Annual average	8.98	7.65
5 years	88.20	72.14
Annual average	13.48	11.47
3 years	35.36	36.06
Annual average	10.62	10.81
1 year	14.41	18.55
6 months	9.19	12.41

Comparative index returns

For periods ended 2/28/07

	Merrill Lynch All-Convertibles Speculative Quality Index	JPMorgan Developed High Yield Index	Lipper Convertible Securities Funds (closed-end) category average
Annual average			
Life of fund (since 7/9/87)	*		9.53%
10 years	149.11%	92.79%	100.96
Annual average	9.56	6.78	7.20
5 years	84.95	70.25	48.35
Annual average	13.09	11.23	8.06
3 years	30.28	28.37	29.42
Annual average	9.22	8.68	8.95
1 year	15.87	12.08	12.03
6 months	10.82	8.47	8.42

Index and Lipper results should be compared to fund performance at net asset value.

** The Merrill Lynch All-Convertibles Speculative Quality Index began operations on 12/31/92.*

The JPMorgan Developed High Yield Index began operations on 12/31/94.

Over the 6-month and 1-, 3-, 5-, and 10-year periods ended 2/28/07, there were 10, 10, 10, 5, and 5 funds, respectively, in this Lipper category.

Fund price and distribution information

For the six-month period ended 2/28/07

Distributions*

Number	6
Income	\$0.2754

Capital gains

Total	\$0.2754	
Share value:	NAV	Market price
8/31/06	\$8.82	\$7.87
2/28/07	9.37	8.62
Current yield (end of period)		
Current dividend rate ¹	5.88%	6.39%

* Dividend sources are estimated and may vary based on final tax calculations after the fund's fiscal year-end.

¹ 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 Large-Cap Value and Core Fixed-Income High-Yield teams. David King and Robert Salvin are Portfolio Leaders of your fund. The Portfolio Leaders coordinate the team's management of the fund.

For a complete listing of the members of the Putnam Large-Cap Value and Core Fixed-Income High-Yield teams, including those who are not Portfolio Leaders or Portfolio Members of your fund, visit Putnam's Individual Investor Web site at www.putnam.com.

Investment team fund ownership

The table below shows how much the fund's current Portfolio Leaders have invested in the fund and in all Putnam mutual funds (in dollar ranges). Information shown is as of February 28, 2007, and February 28, 2006.

Trustee and Putnam employee fund ownership

As of February 28, 2007, all of the 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	\$809,000	\$101,000,000
Putnam employees	\$ 27,000	\$459,000,000

Fund manager compensation

The total 2006 fund manager compensation that is attributable to your fund is approximately \$70,000. This amount includes a portion of 2006 compensation paid by Putnam Management to the fund managers listed in this section for their portfolio management responsibilities, calculated based on the fund assets they manage taken as a percentage of the total assets they manage. The compensation amount also includes a portion of the 2006 compensation paid to the Group Chief Investment Officers of the fund's broader investment categories for their oversight responsibilities, calculated based on the fund assets they oversee taken as a percentage of the total assets they oversee. This amount does not include compensation of other personnel involved in research, trading, administration, systems, compliance, or fund operations; nor does it include non-compensation costs. These percentages are determined as of the fund's fiscal period-end. For personnel who joined Putnam Management during or after 2006, the calculation reflects annualized 2006 compensation or an estimate of 2007 compensation, as applicable.

Other Putnam funds managed by the Portfolio Leaders

David King is also a Portfolio Leader of Putnam Convertible Income-Growth Trust and Putnam New Value Fund. He is also a Portfolio Member of The Putnam Fund for Growth and Income.

Robert Salvin is also a Portfolio Member of Putnam Convertible Income-Growth Trust, Putnam High Yield Advantage Fund, and Putnam High Yield Trust.

David King and Robert Salvin may also manage other accounts and variable trust funds advised by Putnam Management or an affiliate.

Changes in your fund's Portfolio Leaders

Your fund's Portfolio Leaders did not change during the year ended February 28, 2007.

Putnam fund ownership by Putnam's Executive Board

The table below shows how much the members of Putnam's Executive Board have invested in all Putnam mutual funds (in dollar ranges). Information shown is as of February 28, 2007, and February 28, 2006.

	Year	\$1	\$10,001	\$50,001	\$100,001	\$500,001	\$1,000,001
		\$0	\$10,000	\$50,000	\$100,000	\$500,000	\$1,000,000 and over
Philippe Bibi	2007						
<i>Chief Technology Officer</i>	2006						
Joshua Brooks	2007						
<i>Deputy Head of Investments</i>	2006						
William Connolly	2007						

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<i>Head of Retail Management</i>	2006	
Kevin Cronin	2007	
<i>Head of Investments</i>	2006	
Charles Haldeman, Jr.	2007	
<i>President and CEO</i>	2006	
Amrit Kanwal	2007	
<i>Chief Financial Officer</i>	2006	
Steven Krichmar	2007	
<i>Chief of Operations</i>	2006	
Francis McNamara, III	2007	
<i>General Counsel</i>	2006	
Jeffrey Peters	2007	
<i>Head of International Business</i>	N/A	
Richard Robie, III	2007	
<i>Chief Administrative Officer</i>	2006	
Edward Shadek	2007	
<i>Deputy Head of Investments</i>	2006	
Sandra Whiston	2007	
<i>Head of Institutional Management</i>	2006	

N/A indicates the individual was not a member of Putnam's Executive Board as of 2/28/06.

Terms and definitions

Important terms

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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 and the American Stock Exchange.

Comparative indexes

JPMorgan Developed High Yield Index is an unmanaged index of high-yield fixed-income securities issued in developed countries.

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

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

Merrill Lynch All-Convertibles Speculative Quality Index is an unmanaged index of high-yield U.S. convertible securities.

Morgan Stanley Capital International (MSCI) EAFE Index is an unmanaged index of equity securities from developed countries in Western Europe, the Far East, and Australasia.

Russell 2000 Index is an unmanaged index of the 2,000 smallest companies in the Russell 3000 Index.

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 Management and the sub-management contract 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 2006, the Contract Committee met four times to consider the information provided by Putnam Management and other information developed with the assistance of the Board's independent counsel and independent staff. The Contract Committee reviewed and discussed key aspects of this information with all of the Independent Trustees. Upon completion of this review, the Contract Committee recommended, and the Independent Trustees approved, the continuance of your fund's management contract and sub-management contract, effective July 1, 2006. (Because PIL is an affiliate of Putnam Management and Putnam Management remain 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 include reference to PIL as necessary or appropriate

in the context.)

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

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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 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. 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 67th percentile in management fees and in the 33rd percentile in total expenses as of December 31, 2005 (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. In recent years, the Trustees have examined the operation of the existing breakpoint structure during periods of both growth and decline in asset levels. (A breakpoint is a reduction in fee rates that applies to additional assets once specified asset levels are reached.) 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 reaching this conclusion, the Trustees considered the Contract Committee's stated intent to continue to work with Putnam Management to plan for an eventual resumption in the growth of assets, including a study of potential economies that might be produced under various growth assumptions.

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 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. Because many of the costs incurred by Putnam Management in managing the funds are not readily identifiable to particular funds, the Trustees observed that the methodology for allocating costs is an important factor in evaluating Putnam Management's costs and profitability, both as to

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the Putnam funds in the aggregate and as to individual funds. The Trustees reviewed Putnam Management's cost allocation methodology with the assistance of independent consultants and concluded that this methodology was reasonable and well-considered.

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 Process Committee of the Trustees and the Investment Oversight Committees of the Trustees, which meet on a regular monthly basis with the funds portfolio teams throughout the year. The Trustees concluded that Putnam Management generally provides a high-quality investment process as measured by the experience and skills of the individuals assigned to the management of fund portfolios, the resources made available to such personnel, and in general the ability of Putnam Management to attract and retain high-quality personnel but also recognize that this does not guarantee favorable investment results for every fund in every time period. The Trustees considered the investment performance of each fund over multiple time periods and considered information comparing each fund's performance with various benchmarks and with the performance of competitive funds.

The Trustees noted the satisfactory investment performance of many Putnam funds. They also noted the disappointing investment performance of certain funds in recent years and 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 made significant changes in its investment personnel and processes and in the fund product line to address areas of underperformance. In particular, they noted the important contributions of Putnam Management's leadership in attracting, retaining and supporting high-quality investment professionals and in systematically implementing an investment process that seeks to merge the best features of fundamental and quantitative analysis. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these changes and to evaluate whether additional changes to address areas of underperformance are warranted.

In the case of your fund, the Trustees considered that your fund's common share cumulative total return performance at net asset value was in the following percentiles of its Lipper Inc. peer group (Lipper Convertible Securities Funds (closed-end)) for the one-, three- and five-year periods ended March 31, 2006 (the first percentile being the best performing funds and the 100th percentile being the worst performing funds):

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One-year period	Three-year period	Five-year period
75th	23rd	15th

(Because of the passage of time, these performance results may differ from the performance results for more recent periods shown elsewhere in this report. Over the one-, three- and five-year periods ended March 31, 2006, there were 11, 8, and 6 funds, respectively, in your fund's Lipper peer group.* Past performance is no guarantee of future performance.)

As a general matter, the Trustees concluded 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 terminating a management contract and 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 indicated their continued intent to

monitor the potential benefits associated with the allocation of fund brokerage 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 also included the review of your fund's custodian and investor servicing agreements with Putnam Fiduciary Trust Company, which provide benefits to affiliates of Putnam Management.

** The percentile rankings for your fund's common share annualized total return performance in the Lipper Convertible Securities Funds (closed-end) category for the one-, five- and ten-year periods ended March 31, 2007, were 10%, 17%, and 17%, respectively. Over the one-, five- and ten-year periods ended March 31, 2007, the fund ranked 1st out of 10, 1st out of 5, and 1st 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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Comparison of retail and institutional fee schedules

The information examined by the Trustees as part of their annual contract review has included for many years information regarding fees charged by Putnam Management and its affiliates to institutional clients such as defined benefit pension plans, college endowments, etc. This information included comparison of such fees with fees charged to the funds, as well as a detailed assessment of the differences in the services provided to these two types of clients. The Trustees observed, in this regard, that the differences in fee rates between institutional clients and the funds are by no means uniform when examined by individual asset sectors, suggesting that differences in the pricing of investment management services to these types of clients reflect to a substantial degree historical competitive forces operating in separate market places. The Trustees considered the fact that fee rates across all asset sectors are higher on average for 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.

Approval of new management and sub-management contracts in connection with pending change in control

As discussed in the Message from the Trustees at the beginning of this shareholder report, on February 1, 2007, Marsh & McLennan Companies, Inc. announced that it had signed a definitive agreement to sell its ownership interest in Putnam Investments Trust, the parent company of Putnam Management and its affiliates, to Great-West Lifeco Inc., a member of the Power Financial Corporation group of companies. This transaction is subject to regulatory approvals and other conditions, including the approval of new management contracts by shareholders of a substantial number of Putnam funds at shareholder meetings scheduled for May 15, 2007. Proxy solicitation materials related to these meetings, which provide detailed information regarding the transaction, were recently mailed. The transaction is currently expected to be completed by the middle of 2007.

At an in-person meeting on February 8-9, 2007, the Trustees considered the approval of new management contracts for each Putnam fund (and, in the case of your fund, a new sub-management contract) proposed to become effective upon the closing of the transaction, and the filing of a preliminary proxy statement. At an in-person meeting on March 8-9, 2007, the Trustees considered the approval of the final forms of the proposed new management contracts for each Putnam fund (and, in the case of your fund, the new sub-management contract) and the proxy statement. They reviewed the terms of the proposed new management contracts and the differences between the proposed new management contracts and the current management contracts. They noted that the terms of the proposed new management contracts were substantially identical to the current management contracts, except for certain changes developed at the initiative of the Trustees and

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designed largely to address inconsistencies among various of the existing contracts, which had been developed and implemented at different times in the past. They noted, in the case of your fund, that the terms of the proposed new sub-management contract were identical to the current sub-management contract, except for the effective date. In considering the approval of the proposed new management contracts (and, in the case of your fund, the new sub-management contract), the Trustees also considered, as discussed further in the proxy statement, various matters relating to the transaction. Finally, in considering the proposed new management contracts (and, in the case of your fund, the new sub-management contract), the Trustees also took into account their deliberations and conclusions (discussed above in the preceding paragraphs of the Trustee Approval of Management Contract section) in connection with the most recent annual approval of the continuance of the Putnam funds' management (and, in the case of your fund, sub-management) contracts effective July 1, 2006, and the extensive materials that they had reviewed in

connection with that approval process. Based upon the foregoing considerations, on March 9, 2007, the Trustees, including all of the Independent Trustees, unanimously approved the proposed new management contracts (and, in the case of your fund, the new sub-management contract) and determined to recommend their approval to the shareholders of the Putnam funds.

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Other information for shareholders

Important notice regarding share repurchase program

In September 2006, the Trustees of your fund approved an extension of the current share repurchase program being implemented by Putnam Investments on behalf of your fund. The plan, as extended, allows your fund to repurchase, in the 24 months ending October 6, 2007, up to 10% of the common shares outstanding as of October 7, 2005.

Important notice regarding delivery of shareholder documents

In accordance with SEC regulations, Putnam sends a single copy of annual and semiannual shareholder reports, prospectuses, and proxy statements to Putnam shareholders who share the same address, unless a shareholder requests otherwise. If you prefer to receive your own copy of these documents, please call Putnam at 1-800-225-1581, and Putnam will begin sending individual copies within 30 days.

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, 2006, are available on the Putnam Individual Investor Web site, www.putnam.com/individual, 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

A guide to financial statements

These sections of the report, as well as the accompanying Notes, 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.)

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

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. Dividend sources are estimated at the time of declaration. Actual results may vary. Any non-taxable return of capital cannot be determined until final tax calculations are completed after the end of the fund's fiscal year.

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

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The fund's portfolio 2/28/07 (Unaudited)

CONVERTIBLE PREFERRED STOCKS (40.0%)*

	Shares	Value
Banking (2.6%)		
Marshall & Ilsley Corp. \$1.625 cv. pfd.	58,500	\$ 1,563,705
Sovereign Capital Trust IV \$2.188 cv. pfd.	46,000	2,294,250
Washington Mutual Capital Trust I \$2.688 cum. cv. pfd.	29,200	1,612,716
		5,470,671
Basic Materials (3.6%)		
Bunge, Ltd. 4.875% cv. pfd.	10,775	1,210,804
Freeport-McMoRan Copper & Gold, Inc. 5.50% cv. pfd.	1,900	2,568,563
Huntsman Corp. \$2.50 cv. pfd.	25,500	1,115,625
Smurfit-Stone Container Corp. Ser. A, \$1.75 cum. cv. pfd. (S)	101,920	2,484,300
		7,379,292
Capital Goods (4.2%)		
Allied Waste Industries Ser. D, 6.25% cv. pfd.	4,060	1,380,400
Northrop Grumman Corp. Ser. B, \$7.00 cum. cv. pfd.	33,465	4,597,254
Owens-Illinois, Inc. \$2.375 cv. pfd.	63,770	2,423,260
		8,400,914
Communication Services (2.1%)		
Cincinnati Bell, Inc. Ser. B, \$3.378 cum. cv. pfd. (S)	35,300	1,623,800
Crown Castle International Corp. \$3.125 cum. cv. pfd.	46,095	2,627,415

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4,251,215

Consumer Cyclical (5.4%)

Emmis Communications Corp. Ser. A, \$3.125 cum. cv. pfd.	24,100	1,018,225
Ford Motor Co. Capital Trust II \$3.25 cum. cv. pfd.	66,700	2,467,900
General Motors Corp. Ser. A, \$1.125 cv. pfd.	141,300	3,479,513
Retail Ventures, Inc. \$3.312 cv. pfd.	12,720	876,090
Six Flags, Inc. \$1.813 cum. cv. pfd.	63,200	1,485,200
United Rentals Trust I \$3.25 cv. pfd.	32,103	1,573,047
		10,899,975

Consumer Staples (2.1%)

Newell Financial Trust I \$2.625 cum. cv. pfd.	35,400	1,681,500
Rite Aid Corp. \$1.375 cum. cv. pfd.	36,400	1,116,024
Universal Corp. 6.75% cv. pfd.	1,070	1,377,759
		4,175,283

Energy (2.1%)

Chesapeake Energy Corp. 6.25% cv. pfd.	8,620	2,239,045
Edge Petroleum Corp. Ser. A, \$2.875 cum. cv. pfd.	20,650	1,073,800
Hanover Compressor Capital Trust \$3.625 cum. cv. pfd.	13,715	872,617
		4,185,462

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CONVERTIBLE PREFERRED STOCKS (40.0%)* *continued*

	Shares	Value
Financial (1.0%)		
Fannie Mae Ser. 04-1, 5.375% cv. pfd.	20	\$ 2,027,408
Health Care (1.5%)		
Schering-Plough Corp. \$3.00 cv. pfd.	55,300	3,076,063
Insurance (2.5%)		
Alleghany Corp. 5.75% cv. pfd.	3,800	1,378,450
Aspen Insurance Holdings, Ltd. \$2.813 cv. pfd. (Bermuda)	20,000	1,102,500
Conseco, Inc. \$1.375 cum. cv. pfd.	58,300	1,450,213
Platinum Underwriters Holdings, Ltd. Ser. A, 6.00% cv. pfd. (Bermuda)	34,500	1,060,875
		4,992,038

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Investment Banking/Brokerage (3.1%)

Affiliated Managers Group, Inc. 144A \$2.55 cv. pfd.	21,500	1,190,563
E*Trade Financial Corp. \$1.531 cum. cv. pfd.	55,500	1,658,063
Lehman Brothers Holdings, Inc. \$1.563 cv. pfd.	80,190	2,185,178
Merrill Lynch & Co., Inc. Ser. JNC, 6.75% cv. pfd.	30,260	1,269,710
		6,303,514

Real Estate (3.6%)

Entertainment Properties Trust Ser. C, \$1.437 cum. cv. pfd. (R)	37,230	1,001,115
FelCor Lodging Trust, Inc. Ser. A, \$0.488 cum. cv. pfd. (R)	99,200	2,492,400
Nationwide Health Properties, Inc. 7.75% cv. pfd. (R)	16,100	2,398,900
Simon Property Group LP \$3.00 cv. pfd. (R)	15,100	1,366,550
		7,258,965

Technology (1.1%)

Lucent Technologies Capital Trust I 7.75% cum. cv. pfd.	2,100	2,170,088
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Utilities & Power (5.1%)

AES Trust III \$3.375 cv. pfd.	33,400	1,624,075
El Paso Corp. 144A 4.99% cv. pfd.	1,300	1,650,675
El Paso Energy Capital Trust I \$2.375 cv. pfd.	38,950	1,519,050
Entergy Corp. \$3.813 cv. pfd.	40,900	2,520,463
NRG Energy, Inc. 5.75% cv. pfd.	4,100	1,245,888
Southern Union Co. \$2.50 cv. pfd.	30,700	1,703,850
		10,264,001

Total convertible preferred stocks (cost \$72,535,406) \$ 80,854,889

CORPORATE BONDS AND NOTES (39.8%)*

	Principal amount	Value
Basic Materials (4.5%)		
Abitibi-Consolidated, Inc. debs. 8.85s, 2030 (Canada)	\$ 60,000	\$ 55,200
Abitibi-Consolidated, Inc. notes 7 3/4s, 2011 (Canada)	130,000	127,400
Abitibi-Consolidated, Inc. notes 6s, 2013 (Canada)	122,000	107,360
AK Steel Corp. company guaranty 7 3/4s, 2012	345,000	349,313
Aleris International, Inc. 144A sr. notes 9s, 2014	160,000	169,600

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CORPORATE BONDS AND NOTES (39.8%)* *continued*

	Principal amount	Value
<i>Basic Materials continued</i>		
Aleris International, Inc. 144A sr. sub. notes 10s, 2016	\$ 180,000	\$ 189,900
ARCO Chemical Co. debs. 10 1/4s, 2010	220,000	244,200
BCP Crystal US Holdings Corp. sr. sub. notes 9 5/8s, 2014	105,000	116,681
Builders FirstSource, Inc. company guaranty FRN 9.61s, 2012	115,000	117,300
Century Aluminum Co. company guaranty 7 1/2s, 2014	80,000	81,800
Chaparral Steel Co. company guaranty 10s, 2013	460,000	514,050
Chesapeake Corp. sr. sub. notes 7s, 2014	EUR 120,000	153,747
Clondalkin Industries BV 144A sr. notes 8s, 2014 (Netherlands)	EUR 245,000	345,178
Cognis Holding GmbH & Co. 144A sr. notes 12.876s, 2015 (Germany)	EUR 218,706	301,261
Covalence Specialty Materials Corp. 144A sr. sub. notes 10 1/4s, 2016	\$ 405,000	385,763
Crystal US Holdings, LLC sr. disc. notes stepped-coupon Ser. A, zero % (10s, 10/1/09), 2014	520,000	455,000
Domtar, Inc. notes 7 1/8s, 2015 (Canada)	15,000	15,056
Domtar, Inc. notes 5 3/8s, 2013 (Canada)	300,000	277,500
Georgia-Pacific Corp. debs. 9 1/2s, 2011	370,000	413,475
Gerdau Ameristeel Corp. sr. notes 10 3/8s, 2011 (Canada)	40,000	42,600
Hercules, Inc. company guaranty 6 3/4s, 2029	205,000	205,000
Huntsman, LLC company guaranty 11 5/8s, 2010	2,000	2,170
Jefferson Smurfit Corp. company guaranty 8 1/4s, 2012	119,000	121,380
Jefferson Smurfit Corp. company guaranty 7 1/2s, 2013	150,000	149,250
JSG Holding PLC 144A sr. notes 11 1/2s, 2015 (Ireland)	EUR 124,931	176,014
Lyondell Chemical Co. company guaranty 8 1/4s, 2016	\$ 95,000	102,125
Lyondell Chemical Co. company guaranty 8s, 2014	155,000	163,138
MDP Acquisitions PLC sr. notes 9 5/8s, 2012 (Ireland)	255,000	270,619
Metals USA, Inc. sec. notes 11 1/8s, 2015	340,000	377,400
Momentive Performance Materials, Inc. 144A sr. notes 9 3/4s, 2014	345,000	361,388
Nalco Co. sr. sub. notes 8 7/8s, 2013	265,000	282,225
Nell AF S.a.r.l. 144A sr. notes 8 3/8s, 2015 (Luxembourg)	265,000	279,575
Nell AF S.a.r.l. 144A sr. notes 8 3/8s, 2015 (Luxembourg)	EUR 50,000	73,024
NewPage Corp. company guaranty 10s, 2012	\$ 220,000	239,800
Newpage Holding Corp. sr. notes FRN 12.389s, 2013	85,000	85,850
Norske Skog Canada, Ltd. company guaranty Ser. D, 8 5/8s, 2011 (Canada)	290,000	295,800
Novelis, Inc. company guaranty 7 1/4s, 2015 (acquired various dates from 8/10/05 to 2/5/07, cost \$162,988)	160,000	166,400
PCI Chemicals Canada sec. sr. notes 10s, 2008 (Canada)	48,980	50,327
PQ Corp. company guaranty 7 1/2s, 2013	230,000	231,725
Rockwood Specialties Group, Inc. company guaranty 7 5/8s, 2014	EUR 245,000	343,881

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Stone Container Corp. sr. notes 9 3/4s, 2011	\$	285,000	295,331
Stone Container Corp. sr. notes 8 3/8s, 2012		40,000	40,800
Tube City IMS Corp. 144A sr. sub. notes 9 3/4s, 2015		160,000	168,000
Ucar Finance, Inc. company guaranty 10 1/4s, 2012		29,000	30,523

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CORPORATE BONDS AND NOTES (39.8%)* *continued*

		Principal amount	Value
<i>Basic Materials continued</i>			
Wheeling-Pittsburgh Steel Corp. sr. notes Ser. A, 5s, 2011	\$	23,486	\$ 18,260
Wheeling-Pittsburgh Steel Corp. sr. notes Ser. B, 6s, 2010		13,329	10,363
			9,002,752

Capital Goods (3.6%)

Alliant Techsystems, Inc. sr. sub. notes 6 3/4s, 2016		230,000	230,000
Allied Waste North America, Inc. company guaranty 6 7/8s, 2017		295,000	292,788
Allied Waste North America, Inc. company guaranty Ser. B, 8 1/2s, 2008		233,000	244,941
Allied Waste North America, Inc. sec. notes Ser. B, 5 3/4s, 2011		30,000	29,288
American Railcar Industries, Inc. 144A sr. unsec. notes 7 1/2s, 2014		40,000	40,700
Amsted Industries, Inc. 144A sr. notes 10 1/4s, 2011		475,000	508,844
Baldor Electric Co. company guaranty 8 5/8s, 2017		565,000	593,250
Blount, Inc. sr. sub. notes 8 7/8s, 2012		150,000	156,375
Bombardier, Inc. 144A sr. notes 8s, 2014 (Canada)		75,000	78,375
Browning-Ferris Industries, Inc. sr. notes 6 3/8s, 2008		140,000	140,175
Crown Americas, LLC/Crown Americas Capital Corp. sr. notes 7 5/8s, 2013		335,000	345,888
Crown Euro Holdings SA company guaranty 6 1/4s, 2011 (France)	EUR	155,000	211,816
Graham Packaging Co., Inc. sub. notes 9 7/8s, 2014	\$	140,000	144,200
Greenbrier Cos., Inc. company guaranty 8 3/8s, 2015		325,000	329,875
Hexcel Corp. sr. sub. notes 6 3/4s, 2015		125,000	124,063
K&F Acquisitions, Inc. company guaranty 7 3/4s, 2014		335,000	345,888
L-3 Communications Corp. company guaranty 7 5/8s, 2012		100,000	103,750
L-3 Communications Corp. company guaranty 6 1/8s, 2013		120,000	118,500
L-3 Communications Corp. sr. sub. notes 5 7/8s, 2015		75,000	73,125
L-3 Communications Corp. sr. sub. notes Class B, 6 3/8s, 2015		215,000	213,925
Legrand SA debs. 8 1/2s, 2025 (France)		425,000	495,125
Manitowoc Co., Inc. (The) company guaranty 10 1/2s, 2012		170,000	181,900

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Milacron Escrow Corp. sec. notes 11 1/2s, 2011		325,000	318,500
Owens-Brockway Glass Container, Inc. company guaranty 6 3/4s, 2014	EUR	230,000	313,547
Owens-Brockway Glass Container, Inc. sr. sec. notes 8 3/4s, 2012	\$	65,000	68,250
Owens-Illinois, Inc. debs. 7 1/2s, 2010		55,000	56,375
Ray Acquisition SCA 144A sec. notes 9 3/8s, 2015 (France)	EUR	180,000	271,935
RBS Global, Inc. / Rexnord Corp. 144A company guaranty 9 1/2s, 2014	\$	355,000	374,525
RBS Global, Inc. / Rexnord Corp. 144A sr. notes 8 7/8s, 2016		40,000	40,800
Solo Cup Co. sr. sub. notes 8 1/2s, 2014		235,000	203,863
TD Funding Corp. 144A sr. sub. notes 7 3/4s, 2014		140,000	143,850
Tekni-Plex, Inc. 144A sec. notes 10 7/8s, 2012		320,000	358,400
Titan International, Inc. 144A sr. notes 8s, 2012		140,000	142,800
			7,295,636

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CORPORATE BONDS AND NOTES (39.8%)* *continued*

		Principal amount	Value
Communication Services (3.9%)			
American Cellular Corp. company guaranty 9 1/2s, 2009	\$	45,000	\$ 44,550
American Cellular Corp. sr. notes Ser. B, 10s, 2011		320,000	340,400
Centennial Cellular Operating Co., LLC company guaranty 10 1/8s, 2013		90,000	97,313
Centennial Communications Corp. sr. notes 10s, 2013		145,000	156,600
Centennial Communications Corp. sr. notes FRN 11.11s, 2013		40,000	42,200
Citizens Communications Co. notes 9 1/4s, 2011		240,000	267,000
Cricket Communications, Inc. 144A sr. notes 9 3/8s, 2014		335,000	353,425
Digicel Group, Ltd. 144A sr. notes 8 7/8s, 2015 (Bermuda)		160,000	156,200
Digicel, Ltd. 144A sr. notes 9 1/4s, 2012 (Jamaica)		165,000	175,725
Dobson Cellular Systems sec. notes 9 7/8s, 2012		160,000	174,000
Dobson Communications Corp. sr. notes FRN 9.61s, 2012		75,000	77,438
Idearc Inc. 144A sr. notes 8s, 2016		535,000	549,713
Inmarsat Finance PLC company guaranty 7 5/8s, 2012 (United Kingdom)		100,000	103,750
Inmarsat Finance PLC company guaranty stepped-coupon zero % (10 3/8s, 11/15/08), 2012 (United Kingdom)		280,000	262,500
Intelsat Bermuda, Ltd. 144A sr. notes 11 1/4s, 2016 (Bermuda)		385,000	436,013
Intelsat Bermuda, Ltd. 144A sr. unsec. FRN 8.872s, 2015 (Bermuda)		70,000	71,663
Intelsat Subsidiary Holding Co., Ltd. sr. notes 8 1/2s, 2013 (Bermuda)		70,000	72,975

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iPCS, Inc. sr. notes 11 1/2s, 2012	70,000	77,350
Level 3 Communications, Inc. sr. notes 11 1/2s, 2010	195,000	216,450
Level 3 Financing, Inc. company guaranty 12 1/4s, 2013	100,000	116,750
Level 3 Financing, Inc. 144A sr. notes 9 1/4s, 2014	200,000	205,250
Level 3 Financing, Inc. 144A sr. notes 8 3/4s, 2017	115,000	115,431
MetroPCS Wireless Inc. 144A sr. notes 9 1/4s, 2014	255,000	267,750
PanAmSat Corp. company guaranty 9s, 2014	335,000	361,800
Qwest Communications International, Inc. company guaranty 7 1/2s, 2014	450,000	466,313
Qwest Corp. debs. 7 1/4s, 2025	65,000	67,194
Qwest Corp. notes 8 7/8s, 2012	430,000	475,150
Qwest Corp. sr. notes 7 5/8s, 2015	150,000	160,125
Qwest Corp. sr. unsec. notes 7 1/2s, 2014	90,000	95,513
Rogers Wireless, Inc. sec. notes 6 3/8s, 2014 (Canada)	330,000	338,663
Rural Cellular Corp. sr. notes 9 7/8s, 2010	150,000	158,625
Rural Cellular Corp. sr. sub. FRN 11.11s, 2012	50,000	52,000
Rural Cellular Corp. sr. sub. notes 9 3/4s, 2010	70,000	71,838
Syniverse Technologies, Inc. sr. sub. notes Ser. B, 7 3/4s, 2013	345,000	346,725
Time Warner Telecom, Inc. company guaranty 9 1/4s, 2014	325,000	348,563
Windstream Corp. company guaranty 8 5/8s, 2016	295,000	323,025
Windstream Corp. company guaranty 8 1/8s, 2013	155,000	167,206
		7,813,186

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CORPORATE BONDS AND NOTES (39.8%)* *continued*

	Principal amount	Value
Consumer Cyclical (7.6%)		
American Axle & Manufacturing, Inc. company guaranty 7 7/8s, 2017	\$ 160,000	\$ 160,000
American Media, Inc. company guaranty 8 7/8s, 2011	75,000	68,250
American Media, Inc. company guaranty Ser. B, 10 1/4s, 2009	260,000	247,650
Asbury Automotive Group, Inc. sr. sub. notes 8s, 2014	105,000	107,231
Associated Materials, Inc. company guaranty 9 3/4s, 2012	350,000	365,750
Autonation, Inc. company guaranty 7s, 2014	40,000	40,550
Autonation, Inc. company guaranty FRN 7.374s, 2013	60,000	60,900
Boyd Gaming Corp. sr. sub. notes 7 3/4s, 2012	25,000	25,750
Boyd Gaming Corp. sr. sub. notes 7 1/8s, 2016	210,000	206,325
Boyd Gaming Corp. sr. sub. notes 6 3/4s, 2014	290,000	288,550
CanWest Media, Inc. company guaranty 8s, 2012 (Canada)	4,956	5,105
Dex Media West, LLC/Dex Media Finance Co. sr. notes Ser. B, 8 1/2s, 2010	245,000	256,638
Dex Media, Inc. disc. notes stepped-coupon zero % (9s, 11/15/08), 2013	100,000	92,500
Dex Media, Inc. notes 8s, 2013	55,000	57,475

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FelCor Lodging LP company guaranty 8 1/2s, 2008 (R)	100,000	107,375
Ford Motor Co. notes 7.45s, 2031	350,000	280,875
Ford Motor Credit Corp. bonds 7 3/8s, 2011	90,000	89,493
Ford Motor Credit Corp. notes 7 7/8s, 2010	545,000	554,388
Ford Motor Credit Corp. notes 7 3/8s, 2009	105,000	105,788
Ford Motor Credit Corp. sr. notes 9 7/8s, 2011	550,000	592,813
Ford Motor Credit Corp. 144A sr. unsec. notes 9 3/4s, 2010	179,000	191,788
General Motors Corp. debs. 9.4s, 2021	45,000	45,113
General Motors Corp. notes 7.2s, 2011	770,000	750,750
Goodyear Tire & Rubber Co. (The) notes 8 1/2s, 2007	60,000	60,000
Goodyear Tire & Rubber Co. (The) sr. notes 9s, 2015	405,000	439,931
Hanesbrands, Inc. 144A sr. notes FRN 8.735s, 2014	285,000	291,413
Harry & David Holdings, Inc. company guaranty FRN 10.36s, 2012	40,000	40,700
Harry & David Holdings, Inc. company guaranty 9s, 2013	115,000	117,588
Host Marriott LP sr. notes 7 1/8s, 2013 (R)	120,000	122,400
Host Marriott LP sr. notes Ser. M, 7s, 2012 (R)	215,000	218,225
iPayment, Inc. company guaranty 9 3/4s, 2014	75,000	76,875
Jostens IH Corp. company guaranty 7 5/8s, 2012	500,000	512,500
K. Hovnanian Enterprises, Inc. company guaranty 8 7/8s, 2012	50,000	51,250
K. Hovnanian Enterprises, Inc. company guaranty 7 3/4s, 2013	50,000	49,875
KB Home sr. sub. notes 9 1/2s, 2011	2,000	2,065
Lamar Media Corp. company guaranty 7 1/4s, 2013	130,000	131,950
Lamar Media Corp. company guaranty Ser. B, 6 5/8s, 2015	80,000	78,800
Levi Strauss & Co. sr. notes 9 3/4s, 2015	253,000	278,300
Levi Strauss & Co. sr. notes 8 7/8s, 2016	145,000	156,238
Meritage Homes Corp. company guaranty 6 1/4s, 2015	60,000	56,400
MGM Mirage, Inc. company guaranty 8 1/2s, 2010	95,000	101,769
MGM Mirage, Inc. company guaranty 6s, 2009	280,000	279,650
MGM Mirage, Inc. sr. notes 6 3/4s, 2012	2,000	1,995

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CORPORATE BONDS AND NOTES (39.8%)* *continued*

	Principal amount	Value
<i>Consumer Cyclical continued</i>		
Michaels Stores, Inc. 144A sr. sub. notes 11 3/8s, 2016	\$ 155,000	\$ 168,175
Mirage Resorts, Inc. debs. 7 1/4s, 2017	25,000	24,875
Movie Gallery, Inc. sr. unsecd. notes 11s, 2012	70,000	62,650
Neiman-Marcus Group, Inc. company guaranty 9s, 2015	450,000	495,000
NTK Holdings, Inc. sr. disc. notes zero %, 2014	260,000	204,100
Oxford Industries, Inc. sr. notes 8 7/8s, 2011	100,000	104,000
Park Place Entertainment Corp. sr. sub. notes 7 7/8s, 2010	278,000	293,290

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Pinnacle Entertainment, Inc. sr. sub. notes 8 1/4s, 2012	340,000	350,200
PRIMEDIA, Inc. company guaranty 8 7/8s, 2011	70,000	71,925
PRIMEDIA, Inc. sr. notes 8s, 2013	260,000	267,150
R.H. Donnelley Corp. sr. disc. notes Ser. A-1, 6 7/8s, 2013	20,000	19,500
R.H. Donnelley Corp. sr. disc. notes Ser. A-2, 6 7/8s, 2013	145,000	141,375
R.H. Donnelley Corp. sr. notes 6 7/8s, 2013	85,000	82,875
R.H. Donnelley Corp. sr. notes Ser. A-3, 8 7/8s, 2016	160,000	170,800
Reader s Digest Association, Inc. (The) 144A sr. sub. notes 9s, 2017	160,000	159,200
Resorts International Hotel and Casino, Inc. company guaranty 11 1/2s, 2009	328,000	342,760
Scientific Games Corp. company guaranty 6 1/4s, 2012	175,000	172,813
Sealy Mattress Co. sr. sub. notes 8 1/4s, 2014	260,000	274,300
Standard Pacific Corp. sr. notes 7s, 2015	115,000	110,400
Standard Pacific Corp. sr. notes 6 1/2s, 2008	55,000	55,000
Station Casinos, Inc. sr. notes 6s, 2012	259,000	251,230
Technical Olympic USA, Inc. company guaranty 9s, 2010	145,000	142,825
Tenneco Automotive, Inc. company guaranty 8 5/8s, 2014	150,000	156,375
Texas Industries, Inc. sr. unsecd. notes 7 1/4s, 2013	310,000	316,200
THL Buildco, Inc. (Nortek Holdings, Inc.) sr. sub. notes 8 1/2s, 2014	300,000	305,250
Trump Entertainment Resorts, Inc. sec. notes 8 1/2s, 2015	345,000	345,000
TRW Automotive, Inc. sr. notes 9 3/8s, 2013	270,000	289,913
TRW Automotive, Inc. sr. sub. notes 11s, 2013	160,000	175,400
UCI Holdco, Inc. 144A sr. notes 12.37s, 2013	200,000	204,500
United Auto Group, Inc. 144A sr. sub. notes 7 3/4s, 2016	180,000	183,150
Vertis, Inc. company guaranty Ser. B, 10 7/8s, 2009	446,000	454,920
Vertis, Inc. 144A sub. notes 13 1/2s, 2009	130,000	123,500
Wimar Opco, LLC. 144A sr. sub. notes 9 5/8s, 2014	525,000	528,281
Wynn Las Vegas, LLC/Wynn Las Vegas Capital Corp. 1st mtge. 6 5/8s, 2014	365,000	361,350
Yankee Acquisition Corp. 144A sr. notes 8 1/2s, 2015	80,000	81,800
Yankee Acquisition Corp. 144A sr. sub. notes 9 3/4s, 2017	40,000	41,000
		15,300,063

Consumer Staples (6.7%)

Adelphia Communications zero %, 2010	20,000	5,950
Adelphia Communications zero %, 2008	235,000	70,500
Affinion Group, Inc. company guaranty 11 1/2s, 2015	135,000	146,475
Affinion Group, Inc. company guaranty 10 1/8s, 2013	335,000	361,800
Affinity Group, Inc. sr. sub. notes 9s, 2012	360,000	367,200
AMC Entertainment, Inc. company guaranty 11s, 2016	217,000	246,566

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	Principal amount	Value
<i>Consumer Staples continued</i>		
AMC Entertainment, Inc. sr. sub. notes 8s, 2014	\$ 117,000	\$ 119,925
Atlantic Broadband Finance, LLC company guaranty 9 3/8s, 2014	285,000	292,125
Avis Budget Car Rental, LLC 144A sr. notes 7 3/4s, 2016	150,000	152,250
Avis Budget Car Rental, LLC 144A sr. notes 7 5/8s, 2014	100,000	101,500
Buffets, Inc. company guaranty 12 1/2s, 2014	375,000	393,750
Cablevision Systems Corp. sr. notes Ser. B, 8s, 2012	100,000	101,500
CCH I, LLC/Capital Corp. sec. notes 11s, 2015	692,000	719,680
CCH II, LLC/Capital Corp. sr. notes Ser. B, 10 1/4s, 2010	430,000	451,500
CCH, LLC/Capital Corp. sr. notes 10 1/4s, 2010	280,000	294,700
Chiquita Brands International, Inc. sr. notes 8 7/8s, 2015	30,000	28,500
Chiquita Brands International, Inc. sr. notes 7 1/2s, 2014	380,000	343,900
Church & Dwight Co., Inc. company guaranty 6s, 2012	130,000	127,075
Cinemark USA, Inc. sr. sub. notes 9s, 2013	55,000	58,438
Cinemark, Inc. sr. disc. notes stepped-coupon zero % (9 3/4s, 3/15/09), 2014	325,000	291,688
Constellation Brands, Inc. company guaranty Ser. B, 8s, 2008	115,000	117,013
Constellation Brands, Inc. sr. sub. notes Ser. B, 8 1/8s, 2012	10,000	10,400
CSC Holdings, Inc. debs. Ser. B, 8 1/8s, 2009	3,000	3,105
CSC Holdings, Inc. sr. notes Ser. B, 7 5/8s, 2011	255,000	262,013
CSC Holdings, Inc. 144A sr. notes 6 3/4s, 2012	205,000	202,950
Dean Foods Co. company guaranty 7s, 2016	240,000	247,800
Del Monte Corp. company guaranty 6 3/4s, 2015	105,000	103,425
Del Monte Corp. sr. sub. notes 8 5/8s, 2012	270,000	283,500
DirecTV Holdings, LLC company guaranty 6 3/8s, 2015	375,000	360,469
Domino s, Inc. sr. sub. notes 8 1/4s, 2011	106,000	111,141
Echostar DBS Corp. company guaranty 7s, 2013	155,000	159,263
Echostar DBS Corp. company guaranty 6 5/8s, 2014	30,000	30,300
Echostar DBS Corp. sr. notes 6 3/8s, 2011	430,000	432,150
Elizabeth Arden, Inc. company guaranty 7 3/4s, 2014	155,000	158,875
Hertz Corp. company guaranty 8 7/8s, 2014	185,000	199,338
Intelsat Intermediate Holding Co., Ltd. company guaranty stepped-coupon zero % (9 1/4s, 2/1/10), 2015 (Bermuda)	70,000	57,925
Ion Media Networks, Inc. 144A sec. FRN 11.61s, 2013	95,000	99,275
Ion Media Networks, Inc. 144A sec. FRN 8.61s, 2012	120,000	122,100
Jarden Corp. company guaranty 7 1/2s, 2017	155,000	157,131
LIN Television Corp. company guaranty Ser. B, 6 1/2s, 2013	315,000	307,125
Marquee Holdings, Inc. sr. disc. notes stepped-coupon zero % (12s, 8/15/09), 2014	185,000	162,800
Nutro Products, Inc. 144A sr. notes FRN 9.4s, 2013	340,000	353,175
Pathmark Stores, Inc. company guaranty 8 3/4s, 2012	335,000	344,631
Pilgrim s Pride Corp. sr. unsec 7 5/8s, 2015	356,000	352,440
Pinnacle Foods Holding Corp. sr. sub. notes 8 1/4s, 2013	375,000	403,125
Playtex Products, Inc. sec. notes 8s, 2011	480,000	501,600
Prestige Brands, Inc. sr. sub. notes 9 1/4s, 2012	457,000	472,995

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Rainbow National Services, LLC 144A sr. notes 8 3/4s, 2012	205,000	217,813
Rainbow National Services, LLC 144A sr. sub. debs. 10 3/8s, 2014	75,000	84,000
Rental Services Corp. 144A bonds 9 1/2s, 2014	115,000	122,475

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CORPORATE BONDS AND NOTES (39.8%)* *continued*

	Principal amount	Value
<i>Consumer Staples continued</i>		
Rite Aid Corp. company guaranty 7 1/2s, 2015	\$ 105,000	\$ 104,475
Rite Aid Corp. sec. notes 8 1/8s, 2010	115,000	118,019
Sirius Satellite Radio, Inc. sr. unsecd. notes 9 5/8s, 2013	180,000	181,800
Spectrum Brands, Inc. company guaranty 7 3/8s, 2015	350,000	297,938
Spectrum Brands, Inc. sr. sub. notes 8 1/2s, 2013	90,000	82,800
Swift & Co. company guaranty 10 1/8s, 2009	245,000	251,738
Swift & Co. sr. sub. notes 12 1/2s, 2010	165,000	172,838
United Rentals NA, Inc. company guaranty 6 1/2s, 2012	100,000	100,500
United Rentals NA, Inc. sr. sub. notes 7s, 2014	345,000	346,725
Universal City Florida Holding Co. sr. notes 8 3/8s, 2010	290,000	300,875
Universal City Florida Holding Co. sr. notes FRN 10.11s, 2010	107,000	110,745
Young Broadcasting, Inc. company guaranty 10s, 2011	264,000	262,020
Young Broadcasting, Inc. sr. sub. notes 8 3/4s, 2014	70,000	65,800
		13,511,647

Energy (3.7%)

Arch Western Finance, LLC sr. notes 6 3/4s, 2013	445,000	437,213
Bluewater Finance, Ltd. company guaranty 10 1/4s, 2012 (Cayman Islands)	76,000	79,230
Chaparral Energy, Inc. 144A sr. notes 8 7/8s, 2017	160,000	163,200
CHC Helicopter Corp. sr. sub. notes 7 3/8s, 2014 (Canada)	240,000	235,800
Chesapeake Energy Corp. company guaranty 7 3/4s, 2015	60,000	62,550
Chesapeake Energy Corp. sr. notes 7 1/2s, 2013	190,000	198,075
Chesapeake Energy Corp. sr. notes 7s, 2014	250,000	256,875
Complete Production Services, Inc. 144A sr. notes 8s, 2016	270,000	276,075
Compton Petroleum Corp. company guaranty 7 5/8s, 2013 (Canada)	395,000	387,100
Comstock Resources, Inc. sr. notes 6 7/8s, 2012	120,000	116,100
Denbury Resources, Inc. sr. sub. notes 7 1/2s, 2015	100,000	101,000
Dresser-Rand Group, Inc. company guaranty 7 3/8s, 2014	27,000	27,405
Encore Acquisition Co. sr. sub. notes 6 1/4s, 2014	60,000	55,350
Encore Acquisition Co. sr. sub. notes 6s, 2015	213,000	190,635
EXCO Resources, Inc. company guaranty 7 1/4s, 2011	235,000	237,938
Forest Oil Corp. sr. notes 8s, 2011	135,000	140,738

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Hanover Compressor Co. sr. notes 9s, 2014	90,000	97,650
Hanover Equipment Trust sec. notes Ser. B, 8 3/4s, 2011	40,000	41,600
Harvest Operations Corp. sr. notes 7 7/8s, 2011 (Canada)	365,000	352,225
Hilcorp Energy I LP/Hilcorp Finance Co. 144A sr. notes 9s, 2016	320,000	340,800
Inergy LP/Inergy Finance Corp. sr. notes 6 7/8s, 2014	485,000	477,725
Massey Energy Co. sr. notes 6 5/8s, 2010	385,000	389,813
Newfield Exploration Co. sr. notes 7 5/8s, 2011	150,000	158,063
Newfield Exploration Co. sr. sub. notes 6 5/8s, 2014	210,000	208,425
Pacific Energy Partners/Pacific Energy Finance Corp. sr. notes 7 1/8s, 2014	95,000	99,614
Peabody Energy Corp. company guaranty 7 3/8s, 2016	95,000	99,275
Peabody Energy Corp. sr. notes 5 7/8s, 2016	180,000	171,000
PetroHawk Energy Corp. company guaranty 9 1/8s, 2013	440,000	467,500
Pogo Producing Co. sr. sub. notes 7 7/8s, 2013	95,000	96,188

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CORPORATE BONDS AND NOTES (39.8%)* *continued*

	Principal amount	Value
<i>Energy continued</i>		
Pogo Producing Co. sr. sub. notes 6 7/8s, 2017	\$ 185,000	\$ 180,375
Pride International, Inc. sr. notes 7 3/8s, 2014	210,000	215,250
Stallion Oilfield Services/Stallion Oilfield Finance Corp. 144A sr. unsec 9 3/4s, 2015	200,000	209,000
Targa Resources, Inc. 144A company guaranty 8 1/2s, 2013	410,000	416,150
Whiting Petroleum Corp. company guaranty 7s, 2014	575,000	567,813
		7,553,750

Financial (1.2%)

Crescent Real Estate Equities LP notes 7 1/2s, 2007 (R)	60,000	60,300
E*Trade Financial Corp. sr. unsec. notes 8s, 2011	230,000	240,925
Finova Group, Inc. notes 7 1/2s, 2009	210,000	61,950
General Motors Acceptance Corp. notes 7 3/4s, 2010	555,000	573,325
General Motors Acceptance Corp. notes 7s, 2012	75,000	76,227
General Motors Acceptance Corp. notes 6 7/8s, 2012	520,000	523,963
General Motors Acceptance Corp. notes 6 3/4s, 2014	570,000	568,474
General Motors Acceptance Corp. notes 5 1/8s, 2008	135,000	133,285
General Motors Acceptance Corp. sr. unsub. notes 5.85s, 2009	270,000	267,843
		2,506,292

Health Care (2.7%)

Accellent, Inc. company guaranty 10 1/2s, 2013	320,000	332,800
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AMR Holding Co., Inc./EmCare Holding Co., Inc. sr. sub. notes 10s, 2015	320,000	352,000
Community Health Systems, Inc. sr. sub. notes 6 1/2s, 2012	123,000	123,615
DaVita, Inc. company guaranty 6 5/8s, 2013	285,000	284,288
HCA, Inc. notes 6 3/8s, 2015	65,000	56,063
HCA, Inc. sr. notes 6.95s, 2012	70,000	67,200
HCA, Inc. 144A sec. notes 9 1/4s, 2016	600,000	642,750
HCA, Inc. 144A sec. sr. notes 9 5/8s, 2016	285,000	307,800
Health Management Associates, Inc. sr. notes 6 1/8s, 2016	365,000	358,120
MedQuest, Inc. company guaranty Ser. B, 11 7/8s, 2012	321,000	295,320
Omnicare, Inc. sr. sub. notes 6 7/8s, 2015	50,000	49,500
Omnicare, Inc. sr. sub. notes 6 1/8s, 2013	155,000	149,381
Psychiatric Solutions, Inc. company guaranty 7 3/4s, 2015	360,000	365,400
Select Medical Corp. company guaranty 7 5/8s, 2015	395,000	347,600
Service Corporation International sr. notes 7s, 2017	65,000	65,650
Service Corporation International sr. notes 6 3/4s, 2016	180,000	179,550
Stewart Enterprises, Inc. sr. notes 6 1/4s, 2013	340,000	328,100
Tenet Healthcare Corp. notes 7 3/8s, 2013	265,000	247,775
Tenet Healthcare Corp. sr. notes 9 7/8s, 2014	130,000	132,275
Universal Hospital Services, Inc. sr. notes 10 1/8s, 2011 (Canada)	100,000	106,250
US Oncology, Inc. company guaranty 9s, 2012	160,000	169,200
Vanguard Health Holding Co. II, LLC sr. sub. notes 9s, 2014	210,000	215,775
Ventas Realty LP/Capital Corp. company guaranty 9s, 2012 (R)	65,000	73,044

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CORPORATE BONDS AND NOTES (39.8%)* *continued*

	Principal amount	Value
<i>Health Care continued</i>		
Ventas Realty LP/Capital Corp. company guaranty 6 3/4s, 2010 (R)	\$ 75,000	\$ 76,594
Ventas Realty LP/Capital Corp. sr. notes 6 5/8s, 2014 (R)	50,000	50,813
Ventas Realty LP/Capital Corp. sr. notes 6 1/2s, 2016 (R)	80,000	80,800
		5,457,663

Technology (2.9%)

Activant Solutions, Inc. company guaranty 9 1/2s, 2016	280,000	275,100
Advanced Micro Devices, Inc. sr. notes 7 3/4s, 2012	73,000	75,190
Amkor Technologies, Inc. sr. notes 7 3/4s, 2013	289,000	280,330
Avago Technologies Finance company guaranty 10 1/8s, 2013 (Singapore)	120,000	128,400

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Celestica, Inc. sr. sub. notes 7 7/8s, 2011 (Canada)	85,000	83,513
Celestica, Inc. sr. sub. notes 7 5/8s, 2013 (Canada)	280,000	266,700
Compucom Systems, Inc. 144A sr. notes 12s, 2014	165,000	172,838
Freescale Semiconductor, Inc. 144A sr. notes 9 1/8s, 2014	220,000	223,025
Freescale Semiconductor, Inc. 144A sr. notes 8 7/8s, 2014	510,000	517,013
Freescale Semiconductor, Inc. 144A sr. sub. notes 10 1/8s, 2016 (S)	335,000	342,956
Iron Mountain, Inc. company guaranty 8 3/4s, 2018	70,000	74,725
Iron Mountain, Inc. company guaranty 8 5/8s, 2013	355,000	364,763
Iron Mountain, Inc. company guaranty 6 5/8s, 2016	45,000	43,200
Lucent Technologies, Inc. debs. 6.45s, 2029	355,000	323,050
Lucent Technologies, Inc. notes 5 1/2s, 2008	50,000	49,625
New ASAT Finance, Ltd. company guaranty 9 1/4s, 2011 (Cayman Islands)	90,000	84,600
Nortel Networks, Ltd. 144A company guaranty 10 3/4s, 2016 (Canada)	165,000	183,975
Nortel Networks, Ltd. 144A company guaranty FRN 9.61s, 2011 (Canada)	180,000	192,600
NXP BV/NXP Funding, LLC 144A sec. FRN 8.11s, 2013 (Netherlands)	170,000	173,825
NXP BV/NXP Funding, LLC 144A sec. notes 7 7/8s, 2014 (Netherlands)	275,000	283,938
Open Solutions, Inc. 144A sr. sub. notes 9 3/4s, 2015	290,000	299,425
SunGard Data Systems, Inc. company guaranty 10 1/4s, 2015	278,000	302,325
SunGard Data Systems, Inc. company guaranty 9 1/8s, 2013	506,000	540,155
UGS Capital Corp. II 144A sr. notes 10.348s, 2011	84,036	85,507
UGS Corp. company guaranty 10s, 2012	240,000	262,800
Xerox Capital Trust I company guaranty 8s, 2027 (S)	100,000	102,125
Xerox Corp. company guaranty 9 3/4s, 2009	3,000	3,227
Xerox Corp. sr. notes 7 5/8s, 2013	41,000	44,492
Xerox Corp. sr. notes 6 7/8s, 2011	120,000	127,064
Xerox Corp. unsec. sr. notes 6 3/4s, 2017	55,000	58,140
		5,964,626

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CORPORATE BONDS AND NOTES (39.8%)* *continued*

	Principal amount	Value
Transportation (0.3%)		
CalAir, LLC/CalAir Capital Corp. company guaranty 8 1/8s, 2008	\$ 230,000	\$ 229,713
Kansas City Southern Railway Co. company guaranty 9 1/2s, 2008	275,000	287,719
		517,432

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Utilities & Power (2.7%)

AES Corp. (The) sr. notes 8 7/8s, 2011	22,000	23,595
AES Corp. (The) 144A sec. notes 9s, 2015	175,000	187,469
AES Corp. (The) 144A sec. notes 8 3/4s, 2013	240,000	256,800
CMS Energy Corp. sr. notes 8.9s, 2008	60,000	62,250
CMS Energy Corp. sr. notes 8 1/2s, 2011	70,000	75,950
CMS Energy Corp. sr. notes 7 3/4s, 2010	40,000	42,000
Colorado Interstate Gas Co. debs. 6.85s, 2037	95,000	102,816
Colorado Interstate Gas Co. sr. notes 5.95s, 2015	30,000	30,377
Dynegy-Roseton Danskamme company guaranty Ser. A, 7.27s, 2010	90,000	91,800
Dynegy-Roseton Danskamme company guaranty Ser. B, 7.67s, 2016	125,000	132,813
Edison Mission Energy sr. unsec. notes 7 3/4s, 2016	75,000	79,500
Edison Mission Energy sr. unsec. notes 7 1/2s, 2013	90,000	94,050
El Paso Corp. sr. notes 8.05s, 2030	115,000	128,800
El Paso Corp. sr. notes 7 3/8s, 2012	75,000	79,875
El Paso Corp. sr. notes Ser. MTN, 7.8s, 2031	85,000	92,756
El Paso Natural Gas Co. debs. 8 5/8s, 2022	40,000	49,455
El Paso Production Holding Co. company guaranty 7 3/4s, 2013	360,000	376,200
Ferrellgas LP/Finance sr. notes 8 3/4s, 2012	280,000	291,200
Ferrellgas LP/Finance sr. notes 6 3/4s, 2014	155,000	151,900
Midwest Generation, LLC sec. sr. notes 8 3/4s, 2034	280,000	301,700
Mirant Americas Generation, Inc. sr. notes 8.3s, 2011	170,000	174,250
Mirant North America, LLC company guaranty 7 3/8s, 2013	230,000	236,325
Mission Energy Holding Co. sec. notes 13 1/2s, 2008	155,000	169,144
Nevada Power Co. 2nd mtge. 9s, 2013	62,000	67,052
NRG Energy, Inc. company guaranty 7 3/8s, 2017	100,000	101,750
NRG Energy, Inc. sr. notes 7 3/8s, 2016	720,000	734,400
Orion Power Holdings, Inc. sr. notes 12s, 2010	125,000	145,000
SEMCO Energy, Inc. sr. notes 7 3/4s, 2013	110,000	112,403
SEMCO Energy, Inc. 144A sr. notes 7 3/4s, 2013	145,000	147,900
Sierra Pacific Power Co. general ref. mtge. 6 1/4s, 2012	35,000	36,163
Sierra Pacific Resources sr. notes 8 5/8s, 2014	165,000	178,685
Southern Union Co. jr. sub. FRB 7.2s, 2066	220,000	220,623
Teco Energy, Inc. notes 7.2s, 2011	35,000	37,100
Teco Energy, Inc. notes 7s, 2012	60,000	63,000
Teco Energy, Inc. sr. notes 6 3/4s, 2015	10,000	10,500
Tennessee Gas Pipeline Co. debs. 7s, 2028	15,000	16,415
Tennessee Gas Pipeline Co. unsec. notes 7 1/2s, 2017	40,000	44,961

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CORPORATE BONDS AND NOTES (39.8%)* *continued*

Principal amount Value

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Utilities & Power *continued*

Transcontinental Gas Pipeline Corp. debs. 7 1/4s, 2026	\$	150,000	\$	164,438
Utilicorp United, Inc. sr. notes 9.95s, 2011		5,000		5,475
Williams Cos., Inc. (The) notes 8 3/4s, 2032		30,000		34,350
Williams Cos., Inc. (The) notes 8 1/8s, 2012		35,000		37,975
Williams Cos., Inc. (The) 144A notes 6 3/8s, 2010		65,000		65,894
Williams Partners LP/ Williams Partners Finance Corp. 144A bonds 7 1/4s, 2017		75,000		78,750
				5,533,859

Total corporate bonds and notes (cost \$78,408,489) \$ 80,456,906

CONVERTIBLE BONDS AND NOTES (14.3%)*

		Principal amount		Value
Capital Goods (1.2%)				
DRS Technologies, Inc. 144A cv. unsec. notes 2s, 2026	\$	365,000	\$	389,638
GenCorp, Inc. cv. sub. notes 5 3/4s, 2007		2,030,000		2,085,825
				2,475,463

Communication Services (0.4%)

Charter Communications, Inc. cv. sr. notes 5 7/8s, 2009		500,000		711,250
Charter Communications, Inc. 144A cv. sr. notes 5 7/8s, 2009		130,000		184,925
				896,175

Consumer Cyclical (2.7%)

Fleetwood Enterprises, Inc. cv. sr. sub. notes 5s, 2023		1,700,000		1,816,875
Pier 1 Imports, Inc. 144A cv. sr. unsub. notes stepped-coupon 6 3/8s (6 1/8s, 2/15/11) 2036		1,541,000		1,467,803
Rewards Network, Inc. cv. sub. debs. 3 1/4s, 2023		1,300,000		1,202,500
WCI Communities, Inc. cv. sr. sub. notes 4s, 2023		900,000		896,625
				5,383,803

Consumer Staples (2.5%)

Nash Finch Co. cv. sr. sub. notes stepped-coupon 1.631s (zero %, 3/15/13) 2035		6,170,000		2,629,963
Sinclair Broadcast Group, Inc. cv. bonds 6s, 2012		2,055,000		2,001,056
Sinclair Broadcast Group, Inc. cv. sr. sub. notes stepped-coupon 4 7/8s (2s, 1/15/11) 2018		420,000		406,350
				5,037,369

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Energy (0.4%)		
McMoRan Exploration Co. cv. sr. notes 6s, 2008	690,000	771,938

Health Care (1.1%)		
CV Therapeutics, Inc. cv. sub. notes 3 1/4s, 2013	1,300,000	1,131,000
EPIX Medical, Inc. cv. sr. notes 3s, 2024	1,253,000	1,054,086
		2,185,086

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CONVERTIBLE BONDS AND NOTES (14.3%)* *continued*

	Principal amount	Value
Technology (4.5%)		
Acquicor Technology, Inc. 144A cv. notes 8s, 2011	\$ 532,000	\$ 555,940
Agere Systems, Inc. cv. sub. notes 6 1/2s, 2009	980,000	1,003,275
Fairchild Semiconductor International, Inc. cv. company guaranty 5s, 2008	980,000	968,975
Kulicke & Soffa Industries, Inc. cv. sub. notes 1/2s, 2008	2,050,000	1,862,938
Lucent Technologies, Inc. cv. sr. debs. Ser. B, 2 3/4s, 2025	450,000	487,125
Mentor Graphics Corp. cv. sub. notes FRN 7.01s, 2023	1,700,000	1,729,240
Safeguard Scientifics, Inc. cv. sr. notes 2 5/8s, 2024	200,000	164,500
Safeguard Scientifics, Inc. 144A cv. sr. notes 2 5/8s, 2024	2,800,000	2,303,000
		9,074,993

Transportation (0.8%)		
JetBlue Airways Corp. cv. sr. bonds 3 1/2s, 2033	1,750,000	1,684,375

Utilities & Power (0.7%)		
XCEL Energy, Inc. 144A cv. notes 7 1/2s, 2007	720,000	1,384,200

Total convertible bonds and notes (cost \$26,516,131)	\$	28,893,402
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UNITS (1.5%)*		
	Units	Value
Elf Special Financing, Ltd. 144A cv. units FRN Ser. B, 5.71s, 2009 (Cayman Islands)	10	\$ 1,237,100

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Hercules, Inc. cv. units 6.50%, 2029	2,020	1,757,400
<hr/>		
Total units (cost \$2,614,009)		\$ 2,994,500

COMMON STOCKS (1.0%)*

	Shares	Value
<hr/>		
Adelphia Contingent Value Vehicle	248,982	\$ 20,840
Bohai Bay Litigation, LLC (Units) (F)	406	5,747
Contifinancial Corp. Liquidating Trust Units (F)	574,207	57
Hanover Compressor Co.	51,146	1,122,655
Jarden Corp.	3,570	130,769
Playtex Products, Inc.	3,205	43,941
Pride International, Inc.	4,547	130,954
Samsonite Corp.	155,734	155,734
Time Warner Cable, Inc. Class A	3,771	146,126
WHX Corp.	3,863	34,767
Williams Cos., Inc. (The)	6,420	173,147
XCL Warranty Escrow (F)	406	57,972
<hr/>		
Total common stocks (cost \$2,106,878)		\$ 2,022,709

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FOREIGN GOVERNMENT BONDS AND NOTES (0.1%)* (cost \$156,553)

	Principal amount	Value
<hr/>		
Argentina (Republic of) FRB 5.475s, 2012	\$ 168,750	\$ 159,773
<hr/>		

PREFERRED STOCKS (%)* (cost \$31,174)

	Shares	Value
<hr/>		
Rural Cellular Corp. Ser. B, 11.375% cum. pfd.	43	\$ 53,750

WARRANTS (%)*

	Expiration date	Strike price	Warrants	Value
<hr/>				
Dayton Superior Corp. 144A (F)	6/15/09	\$ 0.01	270	\$ 3,945
MDP Acquisitions PLC 144A (Ireland)	10/1/13	EUR 0.001	119	3,332
Ubiquitel, Inc. 144A	4/15/10	\$22.74	420	4
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Total warrants (cost \$28,984)				\$ 7,281

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SHORT-TERM INVESTMENTS (4.3%)*

	Principal amount/shares	Value
Putnam Prime Money Market Fund (e)	6,550,431 \$	6,550,431
Short-term investments held as collateral for loaned securities with yields ranging from 5.29% to 5.46% and due dates ranging from March 1, 2007 to April 29, 2007 (d)	\$ 2,185,889	2,181,810
Total short-term investments (cost \$8,732,241)		\$ 8,732,241

TOTAL INVESTMENTS

Total investments (cost \$191,129,865)	\$ 204,175,451
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* Percentages indicated are based on net assets of \$201,954,385.

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 February 28, 2007 was \$166,400 or 0.1% of net assets.

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

(d) See Note 1 to the financial statements.

(e) See Note 5 to the financial statements regarding investments in Putnam Prime Money Market Fund.

(F) Security 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 February 28, 2007.

At February 28, 2007, liquid assets totaling \$2,792,160 have been designated as collateral for open swap contracts and forward contracts.

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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.

The rates shown on Floating Rate Bonds (FRB) and Floating Rate Notes (FRN) are the current interest rates at February 28, 2007.

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

FORWARD CURRENCY CONTRACTS TO BUY at 2/28/07 (aggregate face value \$546,699) (Unaudited)

Value	Aggregate face value	Delivery date	Unrealized appreciation
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Euro	\$553,328	\$546,699	3/22/07	\$6,629
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FORWARD CURRENCY CONTRACTS TO SELL at 2/28/07 (aggregate face value \$2,813,612) (Unaudited)

	Value	Aggregate face value	Delivery date	Unrealized appreciation
Euro	\$2,781,070	\$2,813,612	3/22/07	\$32,542

CREDIT DEFAULT CONTRACTS OUTSTANDING at 2/28/07 (Unaudited)

Swap counterparty / Referenced debt*	Upfront premium received**	Notional amount	Termination date	Fixed payments received (paid) by fund per annum	Unrealized appreciation/ (depreciation)
Bank of America, N.A.					
DJ CDX NA HY					
Series 7 Index	\$20,250	\$450,000	12/20/11	(325 bp)	\$ 4,790
Citibank, N.A.					
Ford Motor Co., 7.45%,					
7/16/31		80,000	6/20/07	620 bp	2,332
Visteon Corp., 7%,					
3/10/14		100,000	6/20/09	605 bp	7,529
Credit Suisse First Boston International					
Ford Motor Co., 7.45%,					
7/16/31		175,000	9/20/07	(487.5 bp)	(4,729)
Ford Motor Co., 7.45%,					
7/16/31		210,000	9/20/08	725 b	