

PUTNAM MANAGED MUNICIPAL INCOME TRUST

Form N-CSR

June 28, 2004

Putnam  
Managed  
Municipal  
Income Trust

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

SEMIANNUAL REPORT ON PERFORMANCE AND OUTLOOK

4-30-04

[GRAPHIC OMITTED: WATCH]

[SCALE LOGO OMITTED]

From the Trustees

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

John A. Hill and  
George Putnam, III

Dear Fellow Shareholder:

Looking back on the past six months in financial markets, stocks and bonds had generally steady and satisfying results for most of the period. Markets were lifted by the resurgence of the economy, prompted in part by the 2003 tax cuts and the Federal Reserve Board's low interest-rate policy. Corporate earnings rose to their most impressive levels in years and many states even experienced a minor improvement in tax revenues. However, since March 2004, uncertainty and volatility have returned to the markets. Bonds in particular experienced broad setbacks in April because of concerns that inflation could be sparked by vigorous job creation and rising energy prices. Markets continue to show vulnerability to these concerns and to the situation in Iraq.

As observers of financial markets for many years, we have gained the perspective that periods of uncertainty and transition like the one we are witnessing today usually reflect an effort by investors to incorporate new facts into their thinking, a process that takes time. The resulting volatility is uncomfortable, but over time, allows investors to set more realistic expectations for future investment performance. Uncertainty on its own is no reason to alter a well-planned investment strategy.

Putnam's portfolio management teams have vigilantly monitored these conditions. While the retreat in financial markets has been broad, the teams have relied on their research and analysis to manage risks and identify opportunities.

The first half of Putnam Managed Municipal Income Trust's fiscal year was another positive period for the fund, during which at NAV it outperformed its benchmark and competitor group, based on results at net asset value. The fund's results were due in part to its emphasis on

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lower-quality, higher-yielding bonds, which performed well as the economy recovered. A few of its older, weaker holdings rose in value sufficiently to overcome disappointments from some other holdings, as described in the following report from your fund's managers. The fund's relatively short duration and emphasis on tobacco-related holdings also contributed to performance.

Respectfully yours,

/S/ JOHN A. HILL

/S/ GEORGE PUTNAM, III

John A. Hill  
Chairman of the Trustees

George Putnam, III  
President of the Funds

June 16, 2004

Report from Fund Management

Fund highlights

- \* For the six months ended April 30, 2004, Putnam Managed Municipal Income Trust provided total returns of 3.82% at net asset value (NAV) and -2.49% at market price.
- \* The fund's performance at NAV was significantly ahead of its benchmark, the Lehman Municipal Bond Index, which returned 1.19% for the period. This reflected positive performance of some of the fund's lower-rated securities, its emphasis on tobacco-related securities, and its use of leverage.
- \* The fund's portfolio composition also helped results at NAV, which were ahead of the average for Lipper's High Yield Municipal Debt Funds (closed-end) category of 3.09% for the period.
- \* See the Performance Summary beginning on page 7 for complete fund performance, comparative performance, and Lipper data.

Performance commentary

Continued economic recovery during the six-month period contributed to improving credit quality in the lower-quality sector of the municipal bond market. The fund's favorable results at NAV reflect this trend. However, no one sector was responsible for the fund's success. Rather, returns from specific fund holdings over a variety of sectors were strong enough to overcome disappointments in a few holdings. In general, diversification remains a strong theme for the fund -- one that seems to be working well in this volatile period. As part of our diversification efforts, we also continued reducing the fund's airline-related industrial development bond (IDB) holdings, which had appreciated, and slightly increased its exposure to tobacco-related bonds, also with positive results. Lower-quality, higher-yielding bonds performed well and some of the fund's distressed holdings made meaningful recoveries.

FUND PROFILE

Putnam Managed Municipal Income Trust seeks to provide as high a level of current income free from federal income tax as is consistent with preservation of capital through investments in investment-grade and higher-yielding, lower-rated municipal bonds. The fund is designed for investors seeking tax-exempt income and willing to accept the risks associated with below-investment-grade bonds.

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The performance of fund shares at market price reflects changes in investor demand as well as the fund's investment results, and we believe the poor showing during the fund's semiannual period reflected investor concern that interest rates might increase. This sentiment was most marked as the period drew to a close.

### Market overview

Yields for municipal bonds -- which move in the opposite direction of bond prices -- were volatile between November 1, 2003, and March 31, 2004. Yields trended downward for much of the period but corrected sharply in late March and April in response to stronger economic data. Yields on 10-year AAA-rated municipal bonds ended the semiannual period slightly higher than they had been at the beginning of the period. The ratio of municipal bond yields to Treasury yields fell to about 80% in December, which means the spread, a difference between the yields of 10-year municipal bonds and 10-year Treasuries, was larger than in previous periods. The ratio edged up to about 87% by the end of the fiscal period. Overall, the yield curve, which shows the difference in yield between shorter- and longer-maturity bonds, flattened somewhat, and credit spreads -- the difference in yield between higher- and lower-rated bonds -- generally narrowed. The economy continued to improve on nearly all fronts, including job growth. The Federal Reserve Board held the federal funds rate steady at 1%, but hinted at a potential rate hike in the near future. Municipal bond issuance continued to be very strong as states and municipalities sought to address budget shortfalls that resulted from decreased tax revenues. California residents approved a plan to issue \$15 billion in debt to help with the state's budget crisis. Although ongoing tobacco litigation continued to make headlines, the municipal bond market largely discounted the news. Airline-related IDBs continued to perform well.

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### MARKET SECTOR PERFORMANCE 6 MONTHS ENDED 4/30/04

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#### Bonds

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Lehman Municipal Bond Index (tax-exempt bonds)	1.19%
Lehman Government Bond Index (U.S. Treasury and agency securities)	0.84%
Lehman Intermediate Treasury Bond Index (intermediate-maturity U.S. Treasury bonds)	0.56%
Lehman Aggregate Bond Index (broad bond market)	1.25%

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#### Equities

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S&P 500 Index (broad stock market)	6.27%
S&P Utilities Index (utilities stocks)	8.19%
Russell 2000 Growth Index (small-company growth stocks)	4.01%

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These indexes provide an overview of performance in different market sectors for the six months ended 4/30/04.

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### Strategy overview

In an increasingly strong economy, it appears likely to us that interest rates will rise further. Consequently, we shortened the fund's duration (a measure of its sensitivity to changes in interest rates) during the period. At the start of November, the fund was slightly defensive relative to the benchmark. In January 2004, we shortened the duration further. This move did not help the fund's performance until later in the period.

We took the opportunity afforded by strong demand for higher-yielding municipal bonds to sell into strength where appropriate. We also continued to diversify the portfolio by adding selectively to the fund's lower-quality holdings. Compared to the benchmark, the portfolio remains slightly overweight in lower-rated, higher-yielding bonds.

We carefully monitored developments in the tobacco industry, particularly with regard to ongoing litigation and other factors affecting demand for tobacco settlement bonds, which are secured by the income stream from tobacco companies' settlement obligations to the states. The municipal bond market has largely ignored recent unfavorable headlines and the downgrading of some tobacco settlement bonds by Moody's rating service. In our view, the backdrop for the tobacco industry remains fundamentally positive, and the fund remains overweight in these bonds, relative to the benchmark. When valuations looked compelling, we added to the fund's exposure.

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

### TOP SECTOR WEIGHTINGS COMPARED

	as of 10/31/03	as of 4/30/04
Health care	26.5%	26.7%
Utilities	20.2%	20.1%
Transportation	14.0%	13.5%
Housing	3.6%	4.6%
Water and sewer	3.8%	3.0%

### Footnote reads:

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

### How fund holdings affected performance

Although there were no significant sector standouts during the fund's semiannual period, certain lower-rated industrial development bonds (IDBs) performed well for the fund as overall economic growth improved prospects for some holdings. IDBs are municipal bonds issued to finance local expansion by various businesses and are backed by revenues from the companies benefiting from the financing. As a result, their prices are affected by investor perceptions of the health of the backing company, the industry, and the economy as a whole. A number of the fund's older IDB holdings have underperformed due to factors such as these, but during the semiannual period, several of them made

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substantial recoveries that contributed to performance. One health-care holding that did especially well was the fund's position in Waterford Economic Development revenue bonds for Canterbury Health in Michigan. These rated bonds had a coupon of 6% and mature in 2039. Another position, which had been in distress, was California's Valley Health System Hospital Revenue Bonds. These issues had a 6.5% coupon and mature in 2025. We took advantage of their improvement to trim, but not eliminate, the position.

The fund's position in Connector 2000 Association, Inc., South Carolina Toll road revenue bonds also made a meaningful recovery during the period. These bonds are rated B-, have a coupon of 5.375%, and mature in 2038. The traffic on this toll road had been below expectations and the bonds had declined in price to the point where their current price seemed to justify the risks of continuing to own the bonds. As the economy strengthened, the price began to move up.

We also had resolution on two defaulted holdings, both for Vista Hospital Systems: one for Corona, California Certificates of Participation, with a coupon of 8.375% maturing in 2011, and another for the same hospital system in San Luis Obispo, also with a coupon of 8.375% maturing in 2029. The sale of the hospital system closed in January, bringing a higher price for the bonds than we had anticipated.

[GRAPHIC OMITTED: pie chart CREDIT QUALITY OVERVIEW]

### CREDIT QUALITY OVERVIEW

Aaa/AAA (36.7%)

Aa/AA (3.1%)

A (10.2%)

Baa/BBB (27.4%)

Ba/BB (13.1%)

B (5.1%)

CCC and below (1.9%)

VMIG1/A-1+ (2.5%)

### Footnote reads:

As a percentage of market value as of 4/30/04. A bond rated Baa or higher is considered investment grade. The chart reflects Moody's and Standard & Poor's ratings; percentages may include unrated bonds considered by Putnam Management to be of comparable quality. Ratings will vary over time.

Disappointing holdings included Gilroy Revenue Bonds for Bonfante Gardens Park in California. The bonds have a coupon of 8% and are scheduled to mature in 2025. They were issued to fund a theme park that has suffered from poor attendance. The park hopes to reduce its debt load by selling some surrounding land. We continue to hold the position, but the price depreciation hurt the fund. In another situation, we have been in discussions for some time with the managers of Hoover Group, a company that makes large industrial containers for shipping products and raw materials. The fund owns IDBs issued for Hoover Group by Gage

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County, Nebraska and Scott County, Kentucky, both with coupons of 8.5%. These issues mature in 2007 and 2014, respectively. The poor economy and competitive pricing have eroded revenues and the company has been seeking concessions from debt holders. We were in the process of selling some of the Hoover bonds as the fiscal period ended.

Recent acquisitions included a land-secured project and a utility -- both facets of our diversification strategy. One example is Mountain's Edge, a development planned for outside Las Vegas, consisting of over 1,900 acres. The bonds are issued by Clark County, Nevada, Improvement District #142. Their rating takes into account the early stage of the project as well as its location, strong interest, and positive supply/demand characteristics in the market. We also recently purchased a bond issued by Nassau County, New York, for Brooklyn Union Gas Company, doing business in New York and New England as KeySpan Energy Services. Keyspan is enjoying strong increases in operating income and helps us maintain diversity by sector, issuer, and credit quality.

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

The fund's management team

The fund is managed by the Putnam Tax Exempt Fixed-Income Team. The members of the team are David Hamlin (Portfolio Leader), Paul Drury (Portfolio Member), Susan McCormack (Portfolio Member), James St. John (Portfolio Member), Richard Wyke (Portfolio Member), and Kevin Cronin.

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.

Lingering unemployment had been an anomaly in an otherwise robust economic recovery. However, in early April, employment data at last showed marked improvement. We believe the underlying strength in the economy will foster higher interest rates in the future. In keeping with our views, the fund's duration is now relatively short in order to keep the portfolio defensively positioned. Generally, tax revenues cannot be expected to grow significantly until personal and business earnings experience meaningful increases. For much of the reporting period, we expected that the credit quality of general obligation municipal bonds (GOs) would remain under pressure in light of these revenue issues. However, the gathering strength of the economic recovery, combined with the efforts of key states such as California to address ongoing budget issues, is now beginning to translate into credit upgrades for state GOs. We expect this trend to continue over the near term. Although yield spreads between high- and low-quality municipal bonds have narrowed somewhat, we believe they remain attractive and could narrow further. As a result, we believe credit risk is worth taking in moderate amounts, while we continue to seek diversification by sector and issuer. We will continue to monitor market conditions as we pursue a high level of tax-free income and seek to manage the fund's risk exposures.

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 government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk. Capital gains, if any, are

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taxable for federal and, in most cases, state purposes. For some investors, investment income may be subject to the federal alternative minimum tax. Income from federally exempt funds may be subject to state and local taxes.

### Performance summary

This section shows your fund's performance during the first half of its fiscal year, which ended April 30, 2004. In accordance with regulatory requirements, we also include performance for the most current 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.

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#### TOTAL RETURN FOR PERIODS ENDED 4/30/04

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	NAV	Market price	Lehman Municipal Bond Index	Lipper High Yield Municipal Debt Funds (closed-end) category average*
6 months	3.82%	-2.49%	1.19%	3.09%
1 year	7.98	-2.03	2.68	7.53
5 years	20.49	-8.02	30.36	20.82
Annual average	3.80	-1.66	5.45	3.80
10 years	67.90	37.87	87.07	74.54
Annual average	5.32	3.26	6.46	5.70
Annual average Life of fund (since 2/24/89)	6.87	5.34	7.22	5.84

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Performance does not reflect taxes on reinvested distributions.

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

\* Over the 6-month and 1-, 5-, and 10-year periods ended 4/30/04, there were 14, 12, 12, and 12 funds, respectively, in this Lipper category.

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#### TOTAL RETURN FOR PERIODS ENDED 3/31/04 (MOST RECENT CALENDAR QUARTER)

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	NAV	Market price
6 months	6.30%	3.33%
1 year	13.07	7.32

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5 years	24.15	-1.92
Annual average	4.42	-0.39
10 years	72.72	56.88
Annual average	5.62	4.61
Annual average Life of fund (since 2/24/89)	7.09	5.97

PRICE AND DISTRIBUTION INFORMATION 6 MONTHS ENDED 4/30/04

Putnam Managed Municipal Income Trust

Distributions from common shares

Number	6
Income 1	\$0.251
Capital gains 1	--
Total	\$0.251

	Series A (550 shares)	Series B (550 shares)	Series C (650 shares)
Distributions from preferred shares			
Income 1	\$507.14	\$521.87	\$512.68
Capital gains 1	--	--	--
Total	\$507.14	\$521.87	\$512.68

Share value (common shares)	NAV	Market price
10/31/03	\$7.98	\$7.34
4/30/04	8.01	6.92

Current return (common shares, end of period)

Current dividend rate 2	6.25%	7.23%
Taxable equivalent 3	9.62	11.12

1 Capital gains, if any, are taxable for federal and, in most cases, state purposes. For some investors, investment income may be subject to the federal alternative minimum tax. Income from federally exempt funds may be subject to state and local taxes

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



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3 Assumes maximum 35% federal tax rate for 2004. Results for investors subject to lower tax rates would not be as advantageous.

### Terms and definitions

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

Net asset value (NAV) is the value of all your fund's assets, minus any liabilities and the net assets allocated to remarketed preferred shares divided by the number of outstanding common shares.

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

### Comparative indexes

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

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

Lehman Intermediate Treasury Bond Index is an unmanaged index of Treasury bonds with maturities between 1 and 10 years.

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

Russell 2000 Growth Index is an unmanaged index of those companies in the Russell 2000 Index chosen for their growth orientation.

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

S&P Utilities Index is an unmanaged index of common stock issued by utilities companies.

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 funds (without sales charges) with similar current investment styles or objectives as determined by Lipper. Lipper category averages reflect performance trends for funds within a category and are based on results at net asset value.

### A note about duplicate mailings

In response to investors' requests, the SEC has modified mailing regulations for proxy statements, semiannual and annual reports, and prospectuses. Putnam is now able to send a single copy of these materials to customers who share the same address. This change will automatically apply to all shareholders except those who notify us. If you would prefer to receive your own copy, please call Putnam at 1-800-225-1581.

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

A guide to the 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, which is calculated separately for each class of shares. (For funds with preferred shares, the amount subtracted from total assets includes the net assets allocated to remarketed preferred shares.)

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

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

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

The fund's portfolio  
April 30, 2004 (Unaudited)

Key to Abbreviations

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AMBAC	AMBAC Indemnity Corporation
COP	Certificate of Participation
FGIC	Financial Guaranty Insurance Company
FNMA Coll.	Federal National Mortgage Association Collateralized

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FSA	Financial Security Assurance
GNMA Coll.	Government National Mortgage Association Collateralized
G.O. Bonds	General Obligation Bonds
IFB	Inverse Floating Rate Bonds
MBIA	MBIA Insurance Company
PSFG	Permanent School Fund Guaranteed
U.S. Govt. Coll.	U.S. Government Collateralized
VRDN	Variable Rate Demand Notes

### Municipal bonds and notes (98.8%) (a)

Principal amount	Rating (RAT)	Value
Alabama (0.3%)		
-----		
\$1,500,000	Butler, Indl. Dev. Board Rev. Bonds (Solid Waste Disp. James River Corp.), 8s, 9/1/28	\$1,538,355
Arizona (1.7%)		
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1,000,000	Apache Cnty., Indl. Dev. Auth. Poll. Control Rev. Bonds (Tucson Elec. Pwr. Co.), Ser. B, 5 7/8s, 3/1/33	948,750
1,000,000	AZ Hlth. Fac. Auth. Hosp. Syst. Rev. Bonds (John C. Lincoln Hlth. Network), 6 3/8s, 12/1/37	1,022,500
1,800,000	Casa Grande, Indl. Dev. Auth. Rev. Bonds (Casa Grande Regl. Med. Ctr.), Ser. A, 7 5/8s, 12/1/29	1,858,500
500,000	Cochise Cnty., Indl. Dev. Auth. Rev. Bonds (Sierra Vista Regl. Hlth. Ctr.), Ser. A, 6.2s, 12/1/21	495,625
3,000,000	Coconino Cnty., Poll. Control Rev. Bonds (Tuscon/Navajo Elec. Pwr.), Ser. A, 7 1/8s, 10/1/32	3,078,750
560,000	Scottsdale, Indl. Dev. Auth. Rev. Bonds (Westminster Village) 7 7/8s, 6/1/09	609,795
1,000,000	Scottsdale, Indl. Dev. Hosp. Auth. Rev. Bonds (Scottsdale Hlth. Care), 5.8s, 12/1/31	1,033,750
		-----
		9,047,670
Arkansas (1.7%)		
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4,600,000	AR State Hosp. Dev. Fin. Auth. Rev. Bonds (Washington Regl. Med. Ctr.), 7 3/8s, 2/1/29	5,111,750
1,000,000	Little Rock G.O. Bonds (Cap. Impt.), FSA, 3.95s, 4/1/19	961,250
2,750,000	Northwest Regl. Arpt. Auth. Rev. Bonds, 7 5/8s, 2/1/27	2,973,427
		-----
		9,046,427
California (13.4%)		
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250,000	Association of Bay Area Governments (ABAG) Fin. Auth. for Nonprofit Corps. Rev. Bonds (San Diego Hosp. Assn.), Ser. C, 5 3/8s, 3/1/21	244,375

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7,000,000	CA Hlth. Fac. Auth. IFB (Catholic Hlth. Care West), AMBAC, 9.356s, 7/1/17	Aaa	7,341,110
2,000,000	CA State G.O. Bonds, FGIC, 6.6s, 2/1/11	Aaa	2,340,000
	CA State Dept. of Wtr. Resources Rev. Bonds, Ser. A		
1,000,000	6s, 5/1/15	A3	1,110,000
20,000,000	AMBAC, 5 1/2s, 5/1/13	Aaa	22,175,000
3,000,000	5 1/2s, 5/1/11	A3	3,311,250
2,250,000	CA Statewide Cmnty. Dev. Auth. Apt. Dev. Rev. Bonds (Irvine Apt. Cmnty.), Ser. A-3, 5.1s, 5/15/25	Baa2	2,340,000
3,000,000	CA Statewide Cmnty. Dev. Auth. COP (The Internext Group), 5 3/8s, 4/1/30	BBB-	2,797,500
1,250,000	Chula Vista, Cmnty. Fac. Dist. Special Tax Rev. Bonds (No. 08-1 Otay Ranch Village Six), 6s, 9/1/33	BB-/P	1,229,688
10,775,000	Corona, COP (Vista Hosp. Syst.), zero %, 7/1/29 (In default) (NON)	D/P	215,500
750,000	Folsom, Special Tax Rev. Bonds (Cmnty. Facs. Dist. No. 10), 5 7/8s, 9/1/28	BB	746,250
1,970,000	Gilroy, Rev. Bonds (Bonfante Gardens Park), 8s, 11/1/25	D/P	1,265,725
2,500,000	Golden State Tobacco Securitization Corp. Rev. Bonds, Ser. B, 5 5/8s, 6/1/38	Baa2	2,500,000
650,000	Orange Cnty., Cmnty. Fac. Dist. Special Tax Rev. Bonds (Ladera Ranch - No. 02-1), Ser. A, 5.55s, 8/15/33	BB+/P	637,813
1,250,000	Sacramento, Special Tax (North Natomas Cmnty. Fac.), Ser. 4-C, 6s, 9/1/33	BB+/P	1,251,563
7,000,000	San Bernardino Cnty., Certificates of Participation (Med. Ctr. Fin.), Ser. A, MBIA, 6 1/2s, 8/1/28	Aaa	7,595,000
8,750,000	Santa Clara Cnty., Fin. Auth. Lease Rev. Bonds (VMC Fac. Replacement Project), Ser. A, AMBAC, 6 3/4s, 11/15/20	Aaa	9,190,650
2,550,000	Santaluz Cmnty., Facs. Dist. No. 2 Special Tax Rev. Bonds (Impt. Area No. 1), Ser. B, 6 3/8s, 9/1/30	BB/P	2,597,813
2,500,000	Vallejo, COP (Marine World Foundation), 7.2s, 2/1/26	BBB-/P	2,415,625
2,665,000	Valley Hlth. Syst. Hosp. Rev. Bonds Ser. A, 6 1/2s, 5/15/25	B+	2,088,694
			-----
			73,393,556

Colorado (1.9%)

3,015,000	CO Hlth. Fac. Auth. Rev. Bonds (Evangelical Lutheran), 3.05s, 10/1/05	A3	3,063,994
	CO Hwy. Auth. Rev. Bonds (E-470 Pub. Hwy.), Ser. B		
15,500,000	zero %, 9/1/35	Baa3	1,530,625
16,500,000	zero %, 9/1/34	Baa3	1,753,125

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	Denver, City & Cnty. Arpt. Rev. Bonds		
1,050,000	Ser. D, AMBAC, 7 3/4s, 11/15/13	AAA	1,279,688
2,500,000	MBIA, 5 1/2s, 11/15/25	Aaa	2,593,750
			-----
			10,221,182
Connecticut (0.5%)			
-----			
3,000,000	CT State Hlth. & Edl. Fac. Auth. VRDN (Yale U.), Ser. U2, 0.85s, 7/1/33	VMIG1	3,000,000
District of Columbia (0.7%)			
-----			
4,000,000	DC Tobacco Settlement Fin. Corp. Rev. Bonds, 6 1/2s, 5/15/33	BBB	3,605,000
Florida (3.2%)			
-----			
2,000,000	Cap. Trust Agcy. Rev. Bonds (Seminole Tribe Convention), Ser. A, 10s, 10/1/33	B/P	2,435,000
3,210,000	Escambia Cnty., Poll. Control Rev. Bonds (Champion Intl. Corp.), 6.9s, 8/1/22	Baa2	3,303,186
1,000,000	Fishhawk, Cmnty. Dev. Dist. II Rev. Bonds, Ser. B, 5s, 11/1/07	BB-/P	1,007,500
770,000	FL State Mid-Bay Bridge Auth. Rev. Bonds, Ser. A, 6.05s, 10/1/22	BBB/P	792,138
500,000	Fleming Island, Plantation Cmnty. Dev. Dist. Special Assmt. Rev. Bonds, Ser. B, 7 3/8s, 5/1/31	BB/P	535,625
500,000	Gateway Svcs. Cmnty. Dev. Dist. Special Assmt. (Stoneybrook), 5 1/2s, 7/1/08	BB-/P	503,125
500,000	Heritage Harbor, South Cmnty. Dev. Distr. Rev. Bonds, Ser. A, 6 1/2s, 5/1/34	BB-/P	515,625
1,000,000	Lee Cnty., Incl. Dev. Auth. Rev. Bonds (Alliance Cmnty. Project), Ser. C, 5 1/2s, 11/15/29	BBB-	940,000
1,335,000	Miami Beach, Hlth. Fac. Auth. Hosp. Rev. Bonds (Mount Sinai Med. Ctr.), Ser. A, 6.7s, 11/15/19	Ba2	1,365,038
500,000	Middle Village Cmnty. Dev. Dist. Special Assmt., Ser. A, 5.8s, 5/1/22	BB-/P	491,875
200,000	Oakstead Cmnty. Dev. Dist. Cap. Impt. Rev. Bonds, Ser. B, 6 1/2s, 5/1/07	BB/P	202,500
1,500,000	South Miami, Hlth. Fac. Auth. Rev. Bonds (Baptist Hlth.), 5 1/4s, 11/15/33	Aa3	1,501,875
2,000,000	St. Johns Cnty., Hlth. Care Incl. Dev. Auth. Rev. Bonds (Glenmoor St. Johns Project), Ser. A, 8s, 1/1/30	B-/P	1,900,000
1,000,000	Sterling Hill, Cmnty. Dev. Dist. Rev. Bonds, Ser. B, 5 1/2s, 11/1/10	BB-	1,000,000
1,250,000	Westchester Cmnty. Dev. Dist. No. 1 Special Assmt. (Cmnty. Infrastructure), 6 1/8s, 5/1/35	BB-	1,260,938
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17,754,425

Georgia (1.9%)

4,000,000	Burke Cnty., Poll. Control Dev. Auth. Mandatory Put Bonds (GA Power Co.), 4.45s, 1/1/32	A2	4,185,000
425,000	Fulton Cnty., Res. Care Fac. Rev. Bonds (Canterbury Court), Class A, 6 1/8s, 2/15/34	B+/P	413,313
700,000	GA Med. Ctr. Hosp. Auth. IFB, MBIA, 11.395s, 8/1/10	Aaa	716,730
2,500,000	Muni. Elec. Auth. Rev. Bonds, AMBAC, 5s, 1/1/26	AAA	2,696,875
2,200,000	Rockdale Cnty., Dev. Auth. Solid Waste Disp. Rev. Bonds (Visay Paper, Inc.), 7.4s, 1/1/16	BB+/P	2,264,966
			10,276,884

Hawaii (0.3%)

1,760,000	HI Dept. of Trans. Special Fac. Rev. Bonds (Continental Airlines, Inc.), 7s, 6/1/20	B	1,586,200
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Illinois (2.7%)

	Chicago, G.O. Bonds		
4,850,000	Ser. A, AMBAC, 5 5/8s, 1/1/39	Aaa	5,068,250
3,500,000	Ser. C, FGIC, 5 1/2s, 1/1/40	Aaa	3,596,250
1,495,000	Chicago, O'Hare Intl. Arpt. Special Fac. Rev. Bonds (American Airlines, Inc.), 8.2s, 12/1/24	Caa2	1,270,750
3,250,000	IL Dev. Fin. Auth. Hosp. Rev. Bonds (Adventist Hlth. Syst./Sunbelt Obligation), 5.65s, 11/15/24	A	3,286,563
500,000	IL Hlth. Fac. Auth. Rev. Bonds (St. Benedict), Ser. 03A-1, 6.9s, 11/15/33	B+	493,125
1,000,000	Metropolitan Pier & Exposition Auth. Rev. Bonds (McCormack Place Expansion Project), MBIA, 5s, 12/15/28	Aaa	992,500
			14,707,438

Indiana (2.0%)

2,500,000	IN State Dev. Fin. Auth. Env. Impt. Rev. Bonds (USX Corp.), 5.6s, 12/1/32	Baa1	2,506,250
6,500,000	IN Trans. Fin. Auth. Arpt. Facs. Lease Rev. Bonds, Ser. A, AMBAC, 5s, 11/1/16	Aaa	6,784,375
1,750,000	Rockport, Poll. Control Mandatory Put Bonds (Indiana Michigan Pwr. Co.), Ser. C, 2.625s, 4/1/25	Baa2	1,734,688
			11,025,313

Iowa (1.0%)

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	IA Fin. Auth. Hlth. Care Fac. Rev. Bonds (Care Initiatives)		
2,970,000	9 1/4s, 7/1/25	BBB-/P	3,486,038
1,555,000	9.15s, 7/1/09	BBB-/P	1,784,363
			-----
			5,270,401
Kentucky (0.7%)			
-----			
1,000,000	Boone Cnty., Poll. Control Rev. Bonds (Dayton Pwr. & Lt. Co.), Ser. A, 6 1/2s, 11/15/22	Baa3	1,017,390
1,035,000	Kenton Cnty., Arpt. Board Rev. Bonds (Delta Airlines, Inc.), Ser. A, 7 1/2s, 2/1/20	Caa2	901,744
1,700,000	KY Econ. Dev. Fin. Auth. Rev. Bonds (Norton Healthcare, Inc.), Ser. A, 6 1/2s, 10/1/20	BBB/P	1,780,750
1,000,000	Scott Cnty., Incl. Dev. Rev. Bonds (Hoover Group, Inc.), 8 1/2s, 11/1/14	Ba3	300,000
			-----
			3,999,884
Louisiana (0.9%)			
-----			
2,000,000	LA Pub. Fac. Auth. Hosp. Rev. Bonds (Lake Charles Memorial Hosp. Project), 8 5/8s, 12/1/30	CCC/P	1,507,500
500,000	Tangipahoa Parish Hosp. Svcs. Rev. Bonds (North Oaks Med. Ctr. Project), Ser. A, 5s, 2/1/25	A	481,250
2,750,000	W. Feliciana Parish, Poll. Control Rev. Bonds (Gulf States Util. Co.), Ser. C, 7s, 11/1/15	Ba1	2,834,288
			-----
			4,823,038
Maine (0.7%)			
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1,965,000	ME State Hsg. Auth. Rev. Bonds, Ser. D-2-AMT, 5s, 11/15/27	Aa1	2,058,338
2,000,000	Rumford, Solid Waste Disp. Rev. Bonds (Boise Cascade Corp.), 6 7/8s, 10/1/26	Ba2	2,032,500
			-----
			4,090,838
Maryland (0.2%)			
-----			
1,000,000	MD State Hlth. & Higher Edl. Fac. Auth. Rev. Bonds (Medstar Hlth.), 5 3/4s, 8/15/15	Baa2	1,057,500
Massachusetts (4.6%)			
-----			
2,000,000	MA State Hlth. & Edl. Fac. Auth. Rev. Bonds (Civic Investments), Ser. A, 9s, 12/15/15	BB/P	2,275,000
3,240,000	(Rehab. Hosp. Cape & Islands),		

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	Ser. A, U.S. Govt. Coll., 7 7/8s, 8/15/24	AAA/P	3,364,740
1,185,000	(Norwood Hosp.), Ser. C, 7s, 7/1/14	Ba2	1,461,994
1,200,000	(Jordan Hosp.), Ser. E, 6 3/4s, 10/1/33	BBB-	1,200,000
2,500,000	(UMass Memorial), Ser. C, 6 5/8s, 7/1/32	Baa2	2,581,250
1,875,000	(UMass Memorial), Ser. C, 6 1/2s, 7/1/21	Baa2	1,940,625
1,500,000	(Caritas Christi Oblig. Group), Ser. A, 5 1/4s, 7/1/08	BBB	1,591,875
7,645,000	MA State Hsg. Fin. Agcy. IFB, AMBAC, 9.702s, 7/1/40 (acquired 6/3/98, cost \$7,739,951) (RES)	AAA/P	7,903,019
2,000,000	MA State Hsg. Fin. Agcy. Rev. Bonds, Ser. C, AMBAC, 5 5/8s, 7/1/40	Aaa	2,057,500
1,000,000	MA State Inhl. Fin. Agcy. Rev. Bonds (Brookhaven), Ser. A, 7s, 1/1/15	BBB/P	1,026,250
			----- 25,402,253

Michigan (4.3%)

5,400,000	Detroit, Swr. Disp. VRDN, Ser. B, FSA, 1.05s, 7/1/33	VMIG1	5,400,000
500,000	Flint, Hosp. Bldg. Auth. Rev. Bonds (Hurley Med. Ctr.), 6s, 7/1/20	Baa3	491,250
2,200,000	Macomb Cnty., Hosp. Fin. Auth. Rev. Bonds (Mt. Clemens Gen. Hosp.), Ser. B, 5 7/8s, 11/15/34	BBB-	1,999,250
1,500,000	MI State Hosp. Fin. Auth. Rev. Bonds (Oakwood Hosp.), Ser. A, 6s, 4/1/22	A2	1,595,625
2,000,000	Midland Cnty., Econ. Dev. Corp. Rev. Bonds, 6 3/4s, 7/23/09	Ba3	2,080,000
2,700,000	Pontiac, Hosp. Fin. Auth. Rev. Bonds (NOMC Obligation Group), Ser. B, 6s, 8/1/18	Ba1	2,399,625
2,975,000	Warren Cons. School Dist. G.O. Bonds, FSA, 5 3/8s, 5/1/18	Aaa	3,186,969
6,670,000	Waterford, Econ. Dev. Corp. Rev. Bonds (Canterbury Hlth.), 6s, 1/1/39	B-/P	4,869,100
2,000,000	Wayne Charter Cnty., Special Arpt. Fac. Rev. Bonds (Northwest Airlines, Inc.), 6s, 12/1/29	CCC/P	1,537,500
			----- 23,559,319

Minnesota (1.1%)

2,525,000	Chaska, Inhl. Dev. Rev. Bonds (Lifecore Biomedical, Inc. Project), 10 1/4s, 9/1/20	BB/P	2,617,011
400,000	Sauk Rapids Hlth. Care & Hsg. Fac. Rev. Bonds (Good Shepherd Lutheran Home), 6s, 1/1/34	B/P	385,500
3,200,000	St. Paul, Hsg. & Hosp. Redev. Auth. Rev. Bonds (Healtheast), Ser. B, 6 5/8s, 11/1/17	Ba2	3,208,000
			----- 6,210,511



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### Mississippi (0.4%)

2,250,000	Mississippi Bus. Fin. Corp. Poll. Control Rev. Bonds (Syst. Energy Resources, Inc.), 5.9s, 5/1/22	BBB-	2,266,875
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### Missouri (0.9%)

1,500,000	Cape Girardeau Cnty., Incl. Dev. Auth. Hlth. Care Fac. Rev. Bonds (St. Francis Med. Ctr.), Ser. A, 5 1/2s, 6/1/32	A	1,505,625
2,000,000	MO Hsg. Dev. Comm. Rev. Bonds (Home Ownership), GNMA/FNMA Coll., 5.55s, 9/1/34	AAA	2,175,000
1,450,000	MO State Hlth. & Edl. Fac. Auth. Rev. Bonds (BJC Hlth. Syst.), 5 1/4s, 5/15/32	Aa2	1,466,313
			5,146,938

### Montana (0.3%)

1,775,000	Forsyth, Poll. Control Mandatory Put Bonds (Avista Corp.), AMBAC, 5s, 10/1/32	Aaa	1,894,812
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### Nebraska (0.1%)

2,000,000	Gage Cnty., Incl. Dev. Rev. Bonds (Hoover Group, Inc.), 8 1/2s, 12/1/07	Ba3	600,000
71,021	Kearney, Incl. Dev. Rev. Bonds (Great Platte River), 8s, 9/1/12	CCC/P	60,279
791,466	(Great Platte River), zero %, 9/1/12	CCC/P	3,957
			664,236

### Nevada (1.8%)

1,000,000	Clark Cnty., Impt. Dist. Special Assmt. (Dist. No. 142), 6 3/8s, 8/1/23	BB-	991,250
5,000,000	Clark Cnty., Incl. Dev. Rev. Bonds (Southwest Gas Corp.), Ser. C, AMBAC, 5.95s, 12/1/38	Aaa	5,362,500
1,595,000	Henderson, Local Impt. Dist. Special Assmt. (No. T-14), 3.2s, 3/1/06	BB-/P	1,591,013
2,000,000	Washoe Cnty., Wtr. Fac. Mandatory Put Bonds (Sierra Pacific Pwr. Co.), 5s, 3/1/36	BB	1,995,000
			9,939,763

### New Hampshire (1.4%)

	NH Muni. Bond Bank Rev. Bonds		
1,000,000	Ser. A, 5s, 2/15/11	Aa2	1,090,000
1,600,000	Ser. B, 5s, 2/15/08	Aa2	1,734,000
625,000	Ser. B, 5s, 8/15/07	Aa2	675,000
2,565,000	NH State Bus. Fin. Auth. Rev. Bonds (Alice Peck Day Hlth. Syst.),		

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	Ser. A, 7s, 10/1/29	BB+/P	2,529,731
1,750,000	NH State Bus. Fin. Auth. Poll. Control Rev. Bonds, 3 1/2s, 7/1/27	Baa1	1,741,250
			7,769,981
New Jersey (3.1%)			
	NJ Econ. Dev. Auth. Rev. Bonds (Cranes Mill), Ser. A, 7 1/2s, 2/1/27	BB-/P	1,036,250
1,250,000	(Cedar Crest Village, Inc.), Ser. A, 7 1/4s, 11/15/31	BB-/P	1,276,563
1,500,000	(Newark Arpt. Marriot Hotel), 7s, 10/1/14	Ba3	1,511,250
500,000	(First Mtge. Presbyterian), Ser. A, 6 3/8s, 11/1/31	BB/P	493,125
	NJ Hlth. Care Fac. Fin. Auth. Rev. Bonds		
1,300,000	(Trinitas Hosp. Oblig. Group), 7 1/2s, 7/1/30	Baa3	1,421,875
2,000,000	(Columbus Hosp.), Ser. A, 5 3/4s, 7/1/29	BB+	1,847,500
1,250,000	(Atlantic City Med. Ctr.), 5 3/4s, 7/1/25	A3	1,293,750
1,000,000	(Somerset Med. Ctr.), 5 1/2s, 7/1/33	Baa2	972,500
6,500,000	NJ State Trans. Trust Fund Auth. Rev. Bonds (Trans. Syst.), Ser. A, FSA, 5 1/2s, 6/15/12	Aaa	7,263,750
			17,116,563
New Mexico (0.6%)			
1,740,000	Farmington, Poll. Control Mandatory Put Bonds (Pub. Svc. San Juan), Class B, 2.1s, 4/1/33	Baa2	1,731,300
1,500,000	Farmington, Poll. Control VRDN (AZ Pub. Svc. Co.), Ser. A, 1.05s, 5/1/24	VMIG1	1,500,000
			3,231,300
New York (12.6%)			
500,000	Huntington, Hsg. Auth. Rev. Bonds (Gurwin Jewish Sr. Residence), Ser. A, 6s, 5/1/39	B+/P	451,875
1,800,000	Long Island, Pwr. Auth. NY Elec. Syst. IFB, 9.496s, 12/1/24 (acquired 10/20/03, cost \$1,981,188) (RES)	BBB+/P	1,998,000
2,000,000	Metro. Trans. Auth. Rev. Bonds, Ser. F, MBIA, 5s, 11/15/10	Aaa	2,185,000
2,000,000	Nassau Cnty., Indl. Dev. Agcy. Rev. Bonds (Keyspan-Glenwood), 5 1/4s, 6/1/27	A	1,985,000
13,000,000	Nassau Cnty., Interim Fin. Auth. Rev. Bonds, Ser. B, MBIA, 5s, 11/15/10	Aaa	14,202,500
10,000,000	NY City, G.O. Bonds, Ser. B, 5 1/4s, 12/1/09	A2	10,850,000
1,500,000	NY City, Indl. Dev. Agcy. Rev. Bonds		

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3,025,000	(Visy Paper, Inc.), 7.95s, 1/1/28 NY City, Indl. Dev. Agcy. Special Fac. Rev. Bonds (British Airways), 5 1/4s, 12/1/32	B+/P BB+	1,565,625 2,223,375
1,495,000	NY City, Indl. Dev. Agency Rev. Bonds (Staten Island U. Hosp. Project), 6.45s, 7/1/32	Ba3	1,502,475
10,000,000	NY City, Muni. Wtr. Fin. Auth. Rev. Bonds, Ser. C, MBIA, 5 1/2s, 6/15/17	Aaa	10,762,500
900,000	NY State Dorm. Auth. Rev. Bonds (Winthrop-U. Hosp. Assn.), Ser. A, 5 1/2s, 7/1/32	Baa1	906,750
2,000,000	Onondaga Cnty., Indl. Dev. Agcy. Rev. Bonds (Solvay Paperboard, LLC), 7s, 11/1/30 (acquired 12/9/98, cost \$2,000,000) (RES)	BB-/P	2,105,000
5,000,000	Port Auth. NY & NJ Rev. Bonds, Ser. 96, FGIC, 6.6s, 10/1/23	Aaa	5,148,550
2,500,000	Port Auth. NY & NJ Special Obligation IFB, Ser. N18, MBIA, 14.9s, 12/1/17 (acquired 7/19/00, cost \$2,617,225) (RES)	Aaa	3,181,250
7,500,000	Port. Auth. NY & NJ Special Obligation Rev. Bonds (JFK Intl. Air Term. - 6), MBIA, 5.9s, 12/1/17	Aaa	8,184,375
1,700,000	Suffolk Cnty., Indl. Dev. Agcy. Rev. Bonds (Peconic Landing), Ser. A, 8s, 10/1/30	B+/P	1,723,375
			----- 68,975,650

North Carolina (1.4%)

	NC Eastern Muni. Pwr. Agcy. Syst. Rev. Bonds		
1,500,000	Ser. D, 6 3/4s, 1/1/26	Baa2	1,633,125
3,000,000	Ser. A, 5 3/4s, 1/1/26	Baa2	3,045,000
750,000	NC Med. Care Cmnty. Healthcare Fac. Rev. Bonds (Deerfield), Ser. A, 5s, 11/1/23	A-/P	722,813
	NC State Muni. Pwr. Agcy. Rev. Bonds (No. 1, Catawba Elec.)		
1,000,000	Ser. B, 6 1/2s, 1/1/20	Baa1	1,098,750
1,300,000	Ser. A, 5 1/2s, 1/1/13	Baa1	1,395,875
			----- 7,895,563

Ohio (1.8%)

	Cuyahoga Cnty., Rev. Bonds, Ser. A		
1,280,000	6s, 1/1/16	A1	1,411,200
2,000,000	6s, 1/1/15	A1	2,220,000
1,000,000	Erie Cnty., Ohio Hosp. Fac. Rev. Bonds (Firelands Regl. Med. Ctr.), 5 5/8s, 8/15/32	A2	1,018,750
3,000,000	OH State Air Quality Dev. Auth. Rev. Bonds (Toledo Poll. Control), Ser. A, 6.1s, 8/1/27	Baa2	3,086,250
2,100,000	OH State Solid Waste Rev. Bonds (General Motors Corp.), 6.3s, 12/1/32	Baa1	2,191,875

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9,928,075

Oklahoma (2.2%)

3,150,000	OK City Arpt. Trust Rev. Bonds Jr. Lien 27th Ser., Ser. A, FSA, 5s, 7/1/18	Aaa	3,216,938
1,575,000	OK Dev. Fin. Auth. Rev. Bonds (Hillcrest Hlth. Care), Ser. A, 5 5/8s, 8/15/29	B1	1,242,281
7,000,000	OK State Indl. Dev. Auth. Rev. Bonds (Hlth. Syst.-Oblig. Group), Ser. A, MBIA, 5 3/4s, 8/15/29	Aaa	7,402,500
			----- 11,861,719

Oregon (0.6%)

2,000,000	Multnomah Cnty., Hosp. Fac. Auth. Rev. Bonds (Terwilliger Plaza Project), 6 1/2s, 12/1/29	BB-/P	1,942,500
1,000,000	OR State Hsg. & Cmnty. Svcs. Dept. Rev. Bonds Single Family Mtg., Ser. K, 5 5/8s, 7/1/29	Aa2	1,072,500
			----- 3,015,000

Pennsylvania (8.5%)

750,000	Allentown, Hosp. Auth. Rev. Bonds (Sacred Heart Hosp.), Ser. A, 6 3/4s, 11/15/14	Baa3	750,000
1,995,000	Carbon Cnty., Indl. Dev. Auth. Rev. Bonds (Panther Creek Partners), 6.65s, 5/1/10	BBB-	2,164,575
1,750,000	Dauphin Cnty., Gen. Auth. Rev. Bonds (Office & Pkg.), Ser. A, 6s, 1/15/25	CCC/P	813,750
350,000	Lebanon Cnty., Hlth. Fac. Auth. Rev. Bonds (Good Samaritan Hosp. Project), 6s, 11/15/35	Baa1	350,875
1,000,000	Lehigh Cnty., Gen. Purpose Auth. Rev. Bonds (Lehigh Valley Hosp. Hlth. Network), Ser. A, 5 1/4s, 7/1/32	A2	975,000
500,000	Monroe Cnty., Hosp. Auth. Rev. Bonds (Pocono Med. Ctr.), 6s, 1/1/43	BBB+	507,500
750,000	PA Convention Ctr. Auth. Rev. Bonds Ser. A, 6 3/4s, 9/1/19	Baa2	772,875
7,250,000	MBIA, 6.7s, 9/1/14	Aaa	7,520,135
7,750,000	PA Econ. Dev. Fin. Auth. Rev. Bonds (MacMillan Ltd. Partnership), 7.6s, 12/1/20	Baa2	8,621,875
1,000,000	(Amtrak Project), Ser. A, 6 3/8s, 11/1/41	A3	1,025,000
	PA Econ. Dev. Fin. Auth. Resource Recvy. Rev. Bonds		
1,000,000	(Colver), Ser. D, 7 1/8s, 12/1/15	BBB-	1,035,500
1,750,000	(Colver), Ser. E, 8.05s, 12/1/15	BBB-/P	1,821,173
4,200,000	(Northampton Generating), Ser. A, 6.6s, 1/1/19	BBB-	4,252,500

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	PA State Higher Edl. Fac. Auth. Rev. Bonds		
1,000,000	(Widener U.), 5.4s, 7/15/36	BBB+	985,000
995,000	(Philadelphia College of Osteopathic Medicine), 5s, 12/1/07	A	1,063,406
5,715,000	Philadelphia, Gas Wks. Rev. Bonds (1975 Gen. Ordinance 17th), FSA, 5s, 7/1/07	Aaa	6,157,912
2,729,624	Philadelphia, Hosp. & Higher Ed. Fac. Auth. Rev. Bonds (Graduate Hlth. Syst.), 7 1/4s, 7/1/10 (In default) (NON)	D/P	136
4,000,000	Philadelphia, Indl. Dev. Auth. VRDN (Fox Chase Cancer Ctr.), 1.04s, 7/1/25	A-1+	4,000,000
2,000,000	Philadelphia, Indl. Dev. Auth. Arpt. Rev. Bonds (Aero Philadelphia, LLC), 5 1/2s, 1/1/24	BB/P	1,577,500
1,800,000	Sayre, Hlth. Care Fac. Auth. Rev. Bonds (Guthrie Hlth.), Ser. A, 5 7/8s, 12/1/31	A-	1,847,250
			-----
			46,241,962
South Carolina (1.5%)			
	-----		
750,000	Connector 2000 Assn., Inc. SC Toll Road Rev. Bonds (SR-Southern Connector), Ser. A, 5 3/8s, 1/1/38	B-	486,563
775,000	Lexington Cnty. Rev. Bonds, 5 1/2s, 11/1/32	A2	783,719
3,000,000	Richland Cnty. Rev. Bonds (Intl. Paper Co. Project), Ser. A, 4 1/4s, 10/1/07	Baa2	3,127,500
1,250,000	SC Hosp. Auth. Rev. Bonds (Med. U.), Ser. A, 6 1/2s, 8/15/32	BBB+	1,303,125
1,000,000	SC Jobs Econ. Dev. Auth. Hosp. Fac. Rev. Bonds (Palmetto Hlth. Alliance), Ser. A, 7 3/8s, 12/15/21	Baa2	1,233,750
1,300,000	SC Tobacco Settlement Rev. Mgt. Rev. Bonds, Ser. B, 6 3/8s, 5/15/30	BBB	1,171,625
			-----
			8,106,282
South Dakota (0.3%)			
	-----		
2,000,000	SD Edl. Enhancement Funding Corp. Rev. Bonds, Ser. B, 6 1/2s, 6/1/32	BBB	1,850,000
Tennessee (2.5%)			
	-----		
6,000,000	Johnson City, Hlth. & Edl. Fac. Board Hosp. IFB, Ser. A2, MBIA, 10.555s, 7/1/21 (acquired 2/8/00, cost \$5,651,400) (RES)	Aaa	7,305,000
3,700,000	Johnson City, Hlth. & Edl. Fac. Board Hosp. Rev. Bonds (Mountain States Hlth.), Ser. A, 7 1/2s, 7/1/33	BBB+	4,208,750
2,000,000	Shelby Cnty. Hlth. Edl. & Hsg. Fac. Board Rev. Bonds (Methodist		

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Healthcare), 6 1/2s, 9/1/26	A-	2,160,000
		-----
		13,673,750

Texas (7.1%)

6,000,000	Alliance, Arpt. Auth. Rev. Bonds (Federal Express Corp.), 6 3/8s, 4/1/21	Baa2	6,352,500
4,655,000	Carrollton, Farmers Branch Indpt. School Dist. G.O. Bonds, PSFG, 5s, 2/15/17	Aaa	4,870,294
1,000,000	Comal Cnty. Hlth. Fac. Dev. Corp. Rev. Bonds (Hlth. Care Syst. - McKenna Memorial Project), Ser. A, 6 1/4s, 2/1/32	Baa2	1,002,500
2,360,000	Dallas-Fort Worth, Intl. Arpt. Fac. Impt. Corp. Rev. Bonds (American Airlines, Inc.), 6 3/8s, 5/1/35	Caa2	1,587,100
4,790,000	Garland, Indpt. School Dist. G.O. Bonds, PSFG, 5s, 2/15/11	Aaa	5,197,150
2,000,000	Gulf Coast, Waste Disp. Auth. Mandatory Put Bonds (Amoco Oil), 2s, 10/1/17	Aa1	1,992,500
3,000,000	Harris Cnty., Hlth. Fac. Rev. Bonds (Memorial Hermann Hlth. Care), Ser. A, 6 3/8s, 6/1/29	A2	3,345,000
700,000	Houston Hlth. Fac. Dev. Corp. Retirement Rev. Bonds (Buckingham Sr. Living Cmnty), Class A, 7 1/8s, 2/15/34	B/P	686,875
3,880,000	Houston, Arpt. Syst. Rev. Bonds (Continental Airlines, Inc.), Ser. C, 5.7s, 7/15/29	B-	2,749,950
2,000,000	Lower Neches Valley Indl. Dev. Swr. Auth. Rev. Bonds (Mobil Oil Refining Corp.), 6.4s, 3/1/30	Aaa	2,067,740
1,400,000	Matagorda Cnty., Navigation Dist. TX Poll. Control Mandatory Put Bonds (American Electric Power), 2.15s, 5/1/30	Baa2	1,400,000
2,500,000	Sam Rayburn Muni. Pwr. Agcy. Rev. Bonds, 6s, 10/1/21	Baa2	2,581,250
	Tomball, Hosp. Auth. Rev. Bonds (Tomball Regl. Hosp.)		
2,000,000	6s, 7/1/29	Baa2	2,005,000
800,000	6s, 7/1/25	Baa2	805,000
800,000	6s, 7/1/19	Baa2	818,000
	Tyler, Hlth. Fac. Dev. Corp. Rev. Bonds (Mother Frances Hosp.)		
745,000	5s, 7/1/08	Baa1	780,388
500,000	5s, 7/1/07	Baa1	523,125
			-----
			38,764,372

Utah (2.8%)

750,000	Carbon Cnty., Solid Waste Disp. Rev. Bonds (Laidlaw Env.), Ser. A, 7 1/2s, 2/1/10	BB-	765,000
5,000,000	Intermountain Power Agency Rev. Bonds, Ser. A, FSA, 5s, 7/1/11	Aaa	5,443,750

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8,000,000	Tooele Cnty., Harbor & Term. Dist. Port Fac. Rev. Bonds (Union Pacific), Ser. A, 5.7s, 11/1/26	Baa2	8,000,000
1,000,000	UT Cnty., Env. Impt. Rev. Bonds (Marathon Oil Project), 5.05s, 11/1/17	Baa1	1,077,500
			----- 15,286,250
 Vermont (0.2%)			
-----			
1,000,000	VT Hsg. Fin. Agcy. Rev. Bonds, Ser. 19A, FSA, 4.62s, 5/1/29	Aaa	1,040,000
 Virginia (1.4%)			
-----			
1,500,000	Fredericksburg, Indl. Dev. Auth. Rev. Bonds (Medicorp Hlth. Syst.), Ser. B, 5 1/8s, 6/15/33	A3	1,456,875
1,000,000	James Cnty., Indl. Dev. Auth. Rev. Bonds (Williamsburg), Ser. A, 6 1/8s, 3/1/32	BB-/P	1,000,000
2,400,000	Pocahontas Parkway Assn. Toll Rd. Rev. Bonds, Ser. A, 5 1/2s, 8/15/28	BB	1,944,000
1,000,000	Roanoke Cnty. Indl. Dev. Auth. Rev. Bonds (Res. Care Fac.), Ser. A 6.3s, 7/1/35	B+/P	987,500
500,000	4.4s, 7/1/08	B+/P	497,500
2,000,000	Russell Cnty. Indl. Dev. Auth. Poll. Control Rev. Bonds (Appalachian Pwr. Co.), Ser. I, 2.7s, 11/1/07	Baa2	1,992,500
			----- 7,878,375
 Washington (1.3%)			
-----			
5,000,000	King Cnty., G.O. Bonds, Ser. C, 6 1/4s, 1/1/32	Aa1	5,537,500
1,600,000	Port of Seattle, Special Fac. Rev. Bonds (Northwest Airlines, Inc.), 7 1/4s, 4/1/30	CCC/P	1,470,000
			----- 7,007,500
 West Virginia (0.3%)			
-----			
2,250,000	Princeton, Hosp. Rev. Bonds (Cmnty. Hosp. Assn., Inc.), 6.1s, 5/1/29	B2	1,569,375
 Wisconsin (1.8%)			
-----			
	Badger Tobacco Settlement Asset Securitization Corp. Rev. Bonds		
3,000,000	7s, 6/1/28	BBB	2,940,000
3,000,000	6 3/8s, 6/1/32	BBB	2,696,250
3,900,000	WI State Hlth. & Edl. Fac. Auth. Rev. Bonds (Wheaton Franciscan), 5 3/4s, 8/15/30	A2	4,026,750
			----- 9,663,000
-----			

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Total Municipal bonds and notes (cost \$539,323,813)	\$540,403,535
Preferred stocks (1.2%) (a)	
Number of shares	Value
-----	
2,000,000 Charter Mac. Equity Trust 144A Ser. A, 6.625% cum. pfd.	\$2,217,500
4,000,000 MuniMae Tax Exempt Bond Subsidiary, LLC 144A 6.875% cum. pfd.	4,265,000
-----	
Total Preferred stocks (cost \$6,000,000)	\$6,482,500
-----	
Total Investments (cost \$545,323,813)	\$546,886,035
-----	

(a) Percentages indicated are based on portfolio market value.

(RAT) The Moody's or Standard & Poor's ratings indicated are believed to be the most recent ratings available at April 30, 2004 for the securities listed. Ratings are generally ascribed to securities at the time of issuance. While the agencies may from time to time revise such ratings, they undertake no obligation to do so, and the ratings do not necessarily represent what the agencies would ascribe to these securities at April 30, 2004. Securities rated by Putnam are indicated by "/P" and are not publicly rated.

(NON) Non-income-producing security.

(RES) Restricted, excluding 144A securities, as to public resale. The total market value of restricted securities held at April 30, 2004 was \$22,492,269 or 4.1% of portfolio market value.

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

The rates shown on IFB and IF COP, which are securities paying interest rates that vary inversely to changes in the market interest rates, VRDN and mandatory put bonds are the current interest rates at April 30, 2004.

The fund had the following industry group concentrations greater than 10% at April 30, 2004  
(as a percentage of portfolio market value):

Health care	26.7%
Utilities	20.1
Transportation	13.5

The fund had the following insurance concentrations greater than 10% at April 30, 2004  
(as a percentage of portfolio market value):

MBIA	13.3%
AMBAC	13.1

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



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Statement of assets and liabilities  
April 30, 2004 (Unaudited)

### Assets

Investments in securities, at value (identified cost \$545,323,813) (Note 1)	\$546,886,035
Cash	392,589
Interest and other receivables	10,519,096
Receivable for securities sold	555,877
<b>Total assets</b>	<b>558,353,597</b>

### Liabilities

Distributions payable to shareholders	1,968,425
Accrued preferred shares distributions payable (Note 1)	56,459
Payable for securities purchased	2,000,000
Payable for compensation of Manager (Note 2)	967,445
Payable for investor servicing and custodian fees (Note 2)	35,291
Payable for Trustee compensation and expenses (Note 2)	55,160
Payable for administrative services (Note 2)	770
Other accrued expenses	124,316
<b>Total liabilities</b>	<b>5,207,866</b>

Series A, B and C remarketed preferred shares: (8,000 shares authorized; 1,750 shares issued at \$100,000 per share (Note 4)	175,000,000
---	-------------

Net assets	\$378,145,731
------------	---------------

### Represented by

Paid-in capital -- common shares (unlimited shares authorized) (Note 1)	\$434,708,664
Undistributed net investment income (Note 1)	552,473
Accumulated net realized loss on investments (Note 1)	(58,677,628)
Net unrealized appreciation of investments	1,562,222
<b>Total -- Representing net assets applicable to common shares outstanding</b>	<b>\$378,145,731</b>

### Computation of net asset value

Net asset value per common share (\$378,145,731 divided by 47,206,343 shares)	\$8.01
--	--------

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

Statement of operations  
Six months ended April 30, 2004 (Unaudited)

Interest income: \$14,822,387  
-----

Expenses:

Compensation of Manager (Note 2)	1,905,228
Investor servicing and custodian fees (Note 2)	172,478
Trustee compensation and expenses (Note 2)	8,179
Administrative services (Note 2)	4,729
Preferred share remarketing agent fees	238,616
Other	116,228
<b>Total expenses</b>	<b>2,445,458</b>
Expense reduction (Note 2)	(9,848)
<b>Net expenses</b>	<b>2,435,610</b>
Net investment income	12,386,777
Net realized loss on investments (Notes 1 and 3)	(6,245,939)
Net unrealized appreciation of investments during the period	7,887,812
Net gain on investments	1,641,873
<b>Net increase in net assets resulting from operations</b>	<b>\$14,028,650</b>

Distributions to Series A, B, and C remarketed preferred shareholders: (Note 1)

From tax exempt income	(896,147)
From ordinary income	(3,052)

Net increase in net assets resulting from operations applicable to common shareholders	\$13,129,451
--	--------------

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

Statement of changes in net assets

	Six months ended April 30 2004*	Year ended October 31 2003
Increase in net assets		

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Operations:

Net investment income	\$12,386,777	\$29,009,265
Net realized loss on investments	(6,245,939)	(27,107,452)
Net unrealized appreciation of investments	7,887,812	33,501,746
Net increase in net assets resulting from operations	14,028,650	35,403,559

Distributions to Series A, B, and C remarketed preferred shareholders: (Note 1)

From tax exempt income	(896,147)	(1,911,395)
From ordinary income	(3,052)	--
Net increase in net assets resulting from operations applicable to common shareholders	13,129,451	33,492,164

Distributions to common shareholders: (Note 1)

From tax exempt income	(11,806,575)	(26,907,616)
From ordinary income	(42,484)	--
Total increase in net assets	1,280,392	6,584,548

Net assets

Beginning of period	376,865,339	370,280,791
End of period (including undistributed net investment income of \$552,473 and \$913,954, respectively)	\$378,145,731	\$376,865,339

Number of fund shares

Common shares outstanding at beginning and end of period	47,206,343	47,206,343
Remarketed preferred shares outstanding at beginning and end of period	1,750	1,750

\* Unaudited

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

Financial highlights

(For a common share outstanding throughout the period)

Six months  
ended  
April 30

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Per-share operating performance	(Unaudited) 2004	2003	2002	Year ended Oct 2001
-----				
Net asset value, beginning of period (common shares)	\$7.98	\$7.84	\$8.49	\$8.44
-----				
Investment operations:				
-----				
Net investment income (a)	.26	.61	.70	.72
-----				
Net realized and unrealized gain (loss) on investments	.04	.14	(.73)	.04
-----				
Total from investment operations	.30	.75	(.03)	.76
-----				
Distributions to preferred shareholders:				
-----				
From net investment income	(.02)	(.04)	(.05)	(.12)
-----				
Total from investment operations: (applicable to common shareholders)	.28	.71	(.08)	.64
-----				
Distributions to common shareholders:				
-----				
From net investment income:	(.25)	(.57)	(.57)	(.59)
-----				
Total distributions	(.25)	(.57)	(.57)	(.59)
-----				
Net asset value, end of period (common shares)	\$8.01	\$7.98	\$7.84	\$8.49
-----				
Market price, end of period (common shares)	\$6.92	\$7.34	\$7.43	\$8.44
-----				
Total return at market price (%) (common shares) (b)	(2.49)*	6.44	(5.57)	(6.21)
-----				
Ratios and supplemental data				
-----				
Net assets, end of period (common shares) (in thousands)	\$378,146	\$376,865	\$370,281	\$400,255
-----				
Ratio of expenses to average net assets (%) (c) (d)	.63*	1.27	1.25	1.22
-----				
Ratio of net investment income to average net assets (%) (c)	2.97*	7.21	7.84	7.01
-----				
Portfolio turnover (%)	8.63*	40.82	20.44	17.95
-----				

\* Not annualized.

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

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- (b) Total return assumes dividend reinvestment.
- (c) Ratios reflect net assets available to common shares only; net investment income ratio also reflects reduction for dividend payments to preferred shareholders.
- (d) Includes amounts paid through expense offset arrangements (Note 2).

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

Notes to financial statements  
April 30, 2004 (Unaudited)

Note 1  
Significant accounting policies

Putnam Managed Municipal Income Trust (the "fund") is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company. The fund's investment objective is to seek a high level of current income exempt from federal income tax. The fund intends to achieve its objective by investing in a diversified portfolio of tax-exempt municipal securities which Putnam Investment Management, LLC ("Putnam Management"), the fund's manager, an indirect wholly-owned subsidiary of Putnam, LLC, believes does not involve undue risk to income or principal. Up to 50% of the fund's assets may consist of high-yield tax-exempt municipal securities that are below investment grade and involve special risk considerations. The fund also uses leverage by issuing preferred shares in an effort to increase the income to the common shares.

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

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

B) Security transactions and related investment income Security transactions are recorded on the trade date (date the order to buy or sell is executed). Gains or losses on securities sold are determined on the identified cost basis.

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

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

At month October 31, 2003, the fund had a capital loss carryover of \$50,158,346 available to the extent allowed by tax law to offset future net capital gain, if any. The amount of the carryover and the expiration dates are:

Loss Carryover	Expiration
\$11,188,485	October 31, 2005
2,894,998	October 31, 2006
3,629,209	October 31, 2007
1,237,146	October 31, 2008
1,641,465	October 31, 2009
3,729,886	October 31, 2010
25,837,157	October 31, 2011

The aggregate identified cost on a tax basis is \$545,118,483, resulting in gross unrealized appreciation and depreciation of \$19,932,437 and \$18,164,885, respectively, or net unrealized appreciation of \$1,767,552.

D) Distributions to shareholders Distributions to common and preferred shareholders from net investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. Dividends on remarketed preferred shares become payable when, as and if declared by the Trustees. Each dividend period for the remarketed preferred shares is generally a 28-day period for Series A and Series B shares, and a 7-day period for Series C shares. The applicable dividend rate for the remarketed preferred shares on April 30, 2004 was 1.05 % for Series A, 0.97% for Series B and 1.04% for Series C. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Reclassifications are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations.

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

### Note 2

Management fee, administrative services and other transactions

Putnam Management is paid for management and investment advisory services quarterly based on the average net assets attributable to common and preferred shares outstanding of the fund. Such fee is based on 0.70% of the average weekly net assets attributable to common and preferred shares outstanding.

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If dividends payable on remarketed preferred shares during any dividend payment period plus any expenses attributable to remarketed preferred shares for that period exceed the fund's gross income attributable to the proceeds of the remarketed preferred shares during that period, then the fee payable to Putnam Management for that period will be reduced by the amount of the excess (but not more than 0.70% of the liquidation preference of the remarketed preferred shares outstanding during the period).

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

Custodial functions for the fund's assets are provided by Putnam Fiduciary Trust Company ("PFTC"), a subsidiary of Putnam, LLC. Putnam Investor Services, a division of PFTC, provides investor servicing agent functions to the fund. During the six months ended April 30, 2004, the fund paid PFTC \$172,478 for these services.

The fund has entered into an arrangement with PFTC whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the fund's expenses. For the six months ended April 30, 2004, the fund's expenses were reduced by \$9,848 under these arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$755, as a quarterly retainer, has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees receive additional fees for attendance at certain committee meetings.

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

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

### Note 3 Purchases and sales of securities

During the six months ended April 30, 2004, cost of purchases and proceeds from sales of investment securities other than short-term investments aggregated \$59,748,242 and \$46,254,897, respectively. There were no purchases or sales of U.S. government securities.

### Note 4 Preferred shares

The Series A (550), Series B (550) and Series C (650) shares are redeemable at the option of the fund on any dividend payment date at a redemption price of \$100,000 per share, plus an amount equal to any dividends accumulated on a daily basis but unpaid through the redemption

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date (whether or not such dividends have been declared) and, in certain circumstances, a call premium.

It is anticipated that dividends paid to holders of remarketed preferred shares will be considered tax-exempt dividends under the Internal Revenue Code of 1986. To the extent that the fund earns taxable income and capital gains by the conclusion of a fiscal year, it may be required to apportion to the holders of the remarketed preferred shares throughout that year additional dividends as necessary to result in an after-tax equivalent to the applicable dividend rate for the period. Total additional dividends for the period ended April 30, 2004 were \$1,069.

Under the Investment Company Act of 1940, the fund is required to maintain asset coverage of at least 200% with respect to the remarketed preferred shares as of the last business day of each month in which any such shares are outstanding. Additionally, the fund is required to meet more stringent asset coverage requirements under terms of the remarketed preferred shares and the shares' rating agencies. Should these requirements not be met, or should dividends accrued on the remarketed preferred shares not be paid, the fund may be restricted in its ability to declare dividends to common shareholders or may be required to redeem certain of the remarketed preferred shares. At April 30, 2004 no such restrictions have been placed on the fund.

### Note 5

#### Regulatory matters and litigation

On April 8, 2004, Putnam Management entered into agreements with the Securities and Exchange Commission and the Massachusetts Securities Division representing a final settlement of all charges brought against Putnam Management by those agencies on October 28, 2003 in connection with excessive short-term trading by Putnam employees and, in the case of the charges brought by the Massachusetts Securities Division, by participants in some Putnam-administered 401(k) plans. The settlement with the SEC requires Putnam Management to pay \$5 million in disgorgement plus a civil monetary penalty of \$50 million, and the settlement with the Massachusetts Securities Division requires Putnam Management to pay \$5 million in restitution and an administrative fine of \$50 million. The settlements also leave intact the process established under an earlier partial settlement with the SEC under which Putnam Management agreed to pay the amount of restitution determined by an independent consultant, which may exceed the disgorgement and restitution amounts specified above, pursuant to a plan to be developed by the independent consultant.

Putnam Management, and not the investors in any Putnam fund, will bear all costs, including restitution, civil penalties and associated legal fees stemming from both of these proceedings. The SEC's and Massachusetts Securities Division's allegations and related matters also serve as the general basis for numerous lawsuits, including purported class action lawsuits filed against Putnam Management and certain related parties, including certain Putnam funds. Putnam Management has agreed to bear any costs incurred by Putnam funds in connection with these lawsuits. Based on currently available information, Putnam Management believes that the likelihood that the pending private lawsuits and purported class action lawsuits will have a material adverse financial impact on the fund is remote, and the pending actions are not likely to materially affect its ability to provide investment management services to its clients, including the Putnam funds.

Review of these matters by counsel for Putnam Management and by separate



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independent counsel for the Putnam funds and their independent Trustees is continuing.

### Fund information

#### About Putnam Investments

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

#### Investment Manager

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

#### Marketing Services

Putnam Retail Management  
One Post Office Square  
Boston, MA 02109

#### Custodian

Putnam Fiduciary Trust Company

#### Legal Counsel

Ropes & Gray LLP

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

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PUTNAM INVESTMENTS

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Boston, Massachusetts 02109

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Item 2. Code of Ethics:

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Not applicable

Item 3. Audit Committee Financial Expert:

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Not applicable

Item 4. Principal Accountant Fees and Services:

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Not applicable

Items 5-6. [Reserved]

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

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Management Investment Companies: Not applicable  
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Item 8. [Reserved]

Item 9. Submission of Matters to a Vote of Security Holders:

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Not applicable

Item 10. Controls and Procedures:

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(a) The registrant's principal executive officer and principal financial officer have concluded, based on their evaluation of the effectiveness of the design and operation of the registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report on Form N-CSR, that the design and operation of such procedures are generally effective to provide reasonable assurance that information required to be disclosed by the investment company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

Although such officers reached the conclusion expressed in the preceding paragraph, they are aware of matters that raise concerns with respect to controls, each of which arose in connection with the administration of 401(k) plans by Putnam Fiduciary Trust Company. The first matter, which occurred in early 2001, involved the willful circumvention of controls by certain Putnam employees in connection with the correction of operational errors with respect to a 401(k) client's investment in certain Putnam Funds, which led to losses in five Putnam Funds (not including the registrant). Such officers became aware of this matter in February 2004. The second matter, which occurred in 2002, involved the willful circumvention by certain Putnam employees of policies and procedures in connection with the payment of Putnam corporate expenses. Such officers did not learn that this matter involved a Putnam Fund until January 2004. Putnam has made restitution to the affected Funds, implemented a number of personnel changes, including senior personnel, begun to implement changes in procedures to address these

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items and informed the SEC, the Funds' Trustees and independent auditors. An internal investigation and review of procedures and controls are currently ongoing.

In reaching the conclusion expressed herein, the registrant's principal executive officer and principal financial officer considered a number of factors, including the nature of the matters described above, when the matters occurred, the individuals involved, personnel changes that have occurred since these matters occurred, the results to date of the current ongoing investigation and the overall quality of controls at Putnam at this time.

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

Item 11. Exhibits:  
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(a) Not applicable

(b) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2 under the Investment Company Act of 1940, as amended, and the officer certifications as required by Section 906 of the Sarbanes-Oxley Act of 2002 are filed herewith.

SIGNATURES

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

NAME OF REGISTRANT

By (Signature and Title): /s/Michael T. Healy  
-----  
Michael T. Healy  
Principal Accounting Officer

Date: June 28, 2004

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

By (Signature and Title): /s/Charles E. Porter  
-----  
Charles E. Porter  
Principal Executive Officer

Date: June 28, 2004

By (Signature and Title): /s/Steven D. Krichmar  
-----  
Steven D. Krichmar  
Principal Financial Officer

Date: June 28, 2004

