

PUTNAM MANAGED MUNICIPAL INCOME TRUST
Form N-CSR
June 28, 2006

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

FORM N-CSR

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

Investment Company Act file number: (811- 05740)

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

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

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

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One International Place
Boston, Massachusetts 02110

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

Date of fiscal year end: October 31, 2006

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

Item 1. Report to Stockholders:

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

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

Managed Municipal Income Trust

4|30|06

Semiannual Report

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Message from the Trustees

Dear Fellow Shareholder

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

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

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

Putnam Managed Municipal Income Trust: potential for income exempt from federal income tax

Municipal bonds finance important public projects such as schools, roads, and hospitals, and they can help investors keep more of the income they receive from their investment. Putnam Managed Municipal Income Trust offers an additional advantage — the flexibility to invest in municipal bonds issued by any state in the country.

Municipal bonds are typically issued by states and local municipalities to raise funds for building and maintaining public facilities. The income from a municipal bond is generally exempt from federal income tax. The bonds are backed by either the issuing city or town or by revenues collected from usage fees, and have varying degrees of credit risk — the risk that the issuer won't be able to repay the bond.

The fund's management team can select bonds from a variety of state and local governments throughout the United States. The fund also combines bonds of differing credit quality to increase income potential. In addition to investing in high-quality bonds, the team allocates a portion of the portfolio to lower-rated bonds, which may offer

higher income in return for more risk.

When deciding whether to invest in a bond, the team considers factors such as credit risk, interest-rate risk, and the risk that the bond will be prepaid. The team is backed by Putnam's fixed-income organization, one of the largest in the investment industry, in which municipal bond analysts are grouped into sector teams and conduct ongoing research. Once a bond has been purchased, the team continues to monitor developments that affect the bond market, the sector, and the issuer of the bond. Typically, lower-rated bonds are reviewed more often because of their greater potential risk.

The goal of the management team's research and active management is to stay a step ahead of the industry and pinpoint opportunities to

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

adjust the fund's holdings — either by acquiring more of a particular bond or selling it — for the benefit of the fund and its shareholders.

Lower-rated bonds may offer higher yields in return for more risk. Capital gains, if any, are taxable for federal and, in most cases, state purposes. For some investors, investment income may be subject to the federal alternative minimum tax. Income from federally exempt funds may be subject to state and local taxes. Please consult with your tax advisor for more information. Mutual funds that invest in bonds are subject to certain risks, including interest-rate risk, credit risk, and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. The fund uses leverage, which involves risk and may increase the volatility of the fund's NAV.

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

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

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

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

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

Identified projects are not necessarily represented in your fund's portfolio as of the date of this report, and your fund may invest in securities representing projects not shown here. Your fund's holdings will vary over time. For more information on current fund holdings, see pages 9 and 27.

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

Highlights

* For the six months ended April 30, 2006, Putnam Managed Municipal Income Trust had a total return of 2.98% at net asset value (NAV) and 3.86% at market price.

* The fund's benchmark, the Lehman Municipal Bond Index, returned 1.56% ..

* The average return for the fund's Lipper category, High Yield Municipal Debt Funds (closed-end), was 4.19% .

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

Performance

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

Total return for periods ended 4/30/06

Since the fund's inception (2/24/89), average annual return is 6.96% at NAV and 5.72% at market price.

| | Average annual return | | Cumulative return | |
|----------|-----------------------|--------------|-------------------|--------------|
| | NAV | Market price | NAV | Market price |
| 10 years | 5.49% | 3.38% | 70.61% | 39.46% |
| 5 years | 6.37 | 3.52 | 36.15 | 18.89 |
| 3 years | 7.78 | 4.96 | 25.21 | 15.64 |
| 1 year | 5.05 | 6.72 | 5.05 | 6.72 |
| 6 months | □ | □ | 2.98 | 3.86 |

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

Against a favorable economic backdrop, lower-quality, higher-yielding municipal bonds enjoyed relatively strong performance during the six months ended April 30, 2006. Strong demand from yield-hungry investors pushed credit spreads narrower, and the fund's investments in many industries, including tobacco and health care, performed well. Given the duration and breadth of this rally, however, we believe that many lower-quality bonds have become overpriced. The fund underperformed the average return for the funds in its Lipper category, in part due to the fund's relative underweight in bonds rated Ba and below. However, the fund did outperform its benchmark, the Lehman Municipal Bond Index — an unmanaged index that is composed solely of investment-grade municipal bonds — because the fund invests in lower-rated, higher-yielding bonds and uses leverage, which amplifies the fund's performance.

Market overview

Continuing indications of solid economic growth, and the desire to curb the potential inflation that frequently accompanies such growth, prompted the Fed to increase the federal funds rate four times during the first six months of the fund's fiscal year, taking this benchmark rate for overnight loans between banks from 3.75% to 4.75%. Despite a significant increase in short-term rates, long-term bond yields were largely unchanged.

Potential forces constraining the rise of long-term rates include strong global demand for longer-term bonds, as well as a widespread belief that inflation will remain in check as the Fed achieves its objectives through monetary policy. As shorter- and longer-term interest rates converged significantly, the yield curve — a graphical representation of yields for bonds of comparable quality plotted from the shortest to the longest maturity — flattened.

During the period, tax-exempt bonds generally outperformed Treasury bonds

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

The strong economy and rising corporate earnings contributed to the strong performance of lower-rated bonds. Among uninsured bonds in general and especially bonds rated Baa and below, yield spreads tightened, driven by strong interest among buyers in search of higher yields. Based on favorable legal rulings, tobacco settlement bonds outperformed. Likewise, airline-related industrial development bonds (IDBs) performed exceptionally well over the period.

Strategy overview

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

The fund's yield curve positioning, or the maturity profile of its holdings, detracted from performance during the period. In order to keep the fund's

Market sector performance

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

Bonds

| | |
|--|-------|
| Lehman Municipal Bond Index (tax-exempt bonds) | 1.56% |
|--|-------|

| | |
|--|-------|
| Lehman Government Bond Index (U.S. Treasury and agency securities) | 0.18% |
|--|-------|

| | |
|---|-------|
| Lehman Intermediate Treasury Bond Index (intermediate-maturity U.S. Treasury bonds) | 0.64% |
|---|-------|

| | |
|---|-------|
| Lehman Aggregate Bond Index (broad bond market) | 0.56% |
|---|-------|

Equities

| | |
|------------------------------------|-------|
| S&P 500 Index (broad stock market) | 9.64% |
|------------------------------------|-------|

| | |
|--|-------|
| S&P Utilities Index (utilities stocks) | 1.32% |
|--|-------|

| | |
|---|--------|
| Russell 2000 Growth Index (small-company growth stocks) | 20.31% |
|---|--------|

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duration short, we limited exposure to longer-maturity bonds, favoring intermediate-maturity securities instead. However, as the yield curve flattened and the yields of shorter- and longer-term bonds converged, bonds with longer maturities outperformed their shorter-maturity counterparts.

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

The fund's underweight position in the lowest-rated bonds, compared to other funds in its peer group, detracted from results as securities in this area of the market rallied. As we analyzed lower-rated bonds, we concluded that better relative value existed in bonds rated Baa and higher at this point in the credit cycle, when the narrowing of credit spreads or the reduced premium investors stand to receive by investing in lower-rated issues appears to be unsupported by credit fundamentals.

Your fund's holdings

Lower-rated municipal bonds delivered some of the best performance during the reporting period, helped in

Comparison of the fund's maturity and duration

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

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

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large part by strong economic growth and relatively low inflation. Not surprisingly, this sector experienced record demand from yield-hungry investors, many of whom, we feel, were not very discerning about the credit fundamentals of the underlying borrower. Yield spreads between higher-quality and lower-quality municipal bonds have narrowed dramatically, to the point that it is likely that investors are not being adequately compensated for the increased risk associated with investing in these lower-quality investments. Consequently, we are limiting the fund's exposure to the sector. While this decision curbed the fund's participation in the rally, we think it will help the fund's performance when credit spreads begin to widen.

After several years of lagging the economic recovery, one sector of the higher-yielding municipal bond market, **airline-related industrial development bonds (IDBs)**, made a strong comeback during the period. IDBs are issued by municipalities but backed by the credit of the company or institution benefiting from the financing. Investor perceptions about the backing company's health, or that of its industry group, can affect the prices of these bonds more than the rating of the issuing municipality. Airline-related IDBs, which in today's environment typically carry non-investment-grade ratings, rallied from November 2005 until March 2006, as the outlook for this struggling industry improved. Passenger traffic is

Credit quality overview

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

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at an all-time high, and airlines have increased ticket prices to compensate for higher fuel costs while reducing the number of flights in an effort to eliminate excess capacity. While the fund holds positions in bonds backed by **American Airlines, Continental Airlines** and **British Airways**, its exposure is less than that of its peers, and this hurt performance. With the outlook for this sector more stable, we'll be looking for opportunities to increase the fund's weighting during sell-offs, when prices adjust to reflect better value.

One of the potential benefits of owning lower-rated bonds is the price appreciation that can result when these securities are upgraded by the rating agencies. This was the case for the fund's investment in **Princeton Hospital revenue bonds**, which received two upgrade announcements during the reporting period. In December 2005, Standard & Poor's raised their outlook for these bonds, which financed improvements at a hospital in West Virginia, from stable to positive. Similarly, in February 2006, Moody's upgraded their outlook from negative to stable. On April 30, these bonds were rated B⁻ (S&P) and B2 (Moody's).

An overweight position in **tobacco settlement bonds** contributed positively to results, as these bonds continued to strengthen during the period. While tobacco settlement bonds generally carry investment-grade ratings of Baa, they are secured by the income stream from tobacco companies' settlement obligations to the states and generally offer higher yields than bonds of comparable quality. Furthermore, we think tobacco bonds provide valuable diversification since their performance is not as closely tied to the direction of economic growth as other, more economically sensitive, holdings. The fund holds tobacco settlement bonds issued by the states of **California, Iowa, New York, South Carolina, South Dakota, Washington, and Wisconsin** and the **District of Columbia**.

We continued to increase the fund's holdings in the **single-family housing** sector, a strategy that helped performance results as rising interest rates and declining mortgage prepayments helped this sector perform well

over the period. We believe that the market has overly discounted the potentially negative impact of mortgage prepayments on the single family housing sector, particularly in light of rising interest rates, which are likely to slow prepayments. During the reporting period, we purchased \$1,500,000 of **single-family mortgage revenue bonds** issued by **Michigan State Housing Development Authority**.

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

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The outlook for your fund

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

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

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

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

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

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

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

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Your fund's performance

This section shows your fund's performance for periods ended April 30, 2006, the end of the first half of its current fiscal year. In accordance with regulatory requirements for mutual funds, we also include performance for the most recent calendar quarter-end. Performance should always be considered in light of a fund's investment strategy. Data represents past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return, net asset value, and market price will fluctuate, and you may have a gain or a loss when you sell your shares.

Fund performance

Total return for periods ended 4/30/06

| | NAV | Market price | Lehman Municipal Bond Index | Lipper High Yield Municipal Debt Funds (closed-end) category average* |
|---|-------|--------------|-----------------------------|---|
| Annual average Life of fund (since 2/24/89) | 6.96% | 5.72% | 6.89% | 6.11% |
| 10 years | 70.61 | 39.46 | 77.30 | 78.19 |
| Annual average | 5.49 | 3.38 | 5.89 | 5.91 |
| 5 years | 36.15 | 18.89 | 30.07 | 38.90 |
| Annual average | 6.37 | 3.52 | 5.40 | 6.77 |
| 3 years | 25.21 | 15.64 | 12.04 | 27.01 |
| Annual average | 7.78 | 4.96 | 3.86 | 8.28 |
| 1 year | 5.05 | 6.72 | 2.15 | 6.78 |
| 6 months | 2.98 | 3.86 | 1.56 | 4.19 |

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

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

** Over the 6-month and 1-, 3-, 5-, and 10-year periods ended 4/30/06, there were 15, 15, 12, 12, and 12 funds, respectively, in this Lipper category.*

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Fund price and distribution information

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

Distributions □ common shares *

| | |
|---------------------|----------|
| Number | 6 |
| Income ¹ | \$0.2058 |

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| | | | |
|------------------------------------|--------------------------|--------------------------|--------------------------|
| Capital gains ² | □ | | |
| Total | \$0.2058 | | |
| | Series A (550 shares) | Series B (550 shares) | Series C (650 shares) |
| Distributions □ preferred shares | | | |
| Income ¹ | \$1,557.29 | \$1,490.10 | \$1,533.21 |
| Capital gains ² | □ | □ | □ |
| Total | \$1,557.29 | \$1,490.10 | \$1,533.21 |
| Share value: | | NAV | Market price |
| 10/31/05 | | \$8.20 | \$7.15 |
| 4/30/06 | | 8.21 | 7.22 |
| Current yield (end of period) | | | |
| Current dividend rate ³ | | 4.98% | 5.67% |
| Taxable equivalent ⁴ | | 7.66 | 8.72 |

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

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

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

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

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

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Fund performance for most recent calendar quarter

Total return for periods ended 3/31/06

| | NAV | Market price |
|------------------------------|-------|--------------|
| Annual average | | |
| Life of fund (since 2/24/89) | 6.98% | 5.86% |

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| | | |
|----------------|-------|-------|
| 10 years | 69.58 | 41.31 |
| Annual average | 5.42 | 3.52 |
| 5 years | 34.07 | 22.09 |
| Annual average | 6.04 | 4.07 |
| 3 years | 27.47 | 18.37 |
| Annual average | 8.43 | 5.78 |
| 1 year | 6.79 | 10.54 |
| 6 months | 2.37 | 1.36 |

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Your fund's management

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

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

Fund ownership by the Portfolio Leader and Portfolio Members

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

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

Portfolio Member 2005 *

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Fund manager compensation

The total 2005 fund manager compensation that is attributable to your fund is approximately \$260,000. This amount includes a portion of 2005 compensation paid by Putnam Management to the fund managers listed in this section for their portfolio management responsibilities, calculated based on the fund assets they manage taken as a percentage of the total assets they manage. The compensation amount also includes a portion of the 2005 compensation paid to the Chief Investment Officer of the team and the Group Chief Investment Officer of the fund's broader investment category for their oversight responsibilities, calculated based on the fund assets they oversee taken as a percentage of the total assets they oversee. This amount does not include compensation of other personnel involved in research, trading, administration, systems, compliance, or fund operations; nor does it include non-compensation costs. These percentages are determined as of the fund's fiscal period-end. For personnel who joined Putnam Management during or after 2005, the calculation reflects annualized 2005 compensation or an estimate of 2006 compensation, as applicable.

Other Putnam funds managed by the Portfolio Leader and Portfolio Members

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

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

Changes in your fund's Portfolio Leader and Portfolio Members

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

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Fund ownership by Putnam's Executive Board

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

| | Year | \$0 | \$1 - \$10,000 | \$10,001 - \$50,000 | \$50,001 - \$100,000 | \$100,001 and over |
|--------------------------|------|-----|----------------|---------------------|----------------------|--------------------|
| Philippe Bibi | 2006 | | | | | * |
| Chief Technology Officer | 2005 | | | | | * |

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

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

Terms and definitions

Important terms

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

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

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

Comparative indexes

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

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

Lehman Intermediate Treasury Bond Index is an unmanaged index of U.S. Treasury securities 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 small-cap 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 stocks issued by utility 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 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. In this regard, the Board of Trustees, with the assistance of its Contract Committee consisting solely of Trustees who are not "interested persons" (as such term is defined in the Investment Company Act of 1940, as amended) of the Putnam funds (the "Independent Trustees"), requests and evaluates all information it deems reasonably necessary under the circumstances. Over the course of several months beginning in March and ending

In June 2005, the Contract Committee met five times to consider the information provided by Putnam Management and other information developed with the assistance of the Board's independent counsel and independent staff. The Contract Committee reviewed and discussed key aspects of this information with all of the Independent Trustees. Upon completion of this review, the Contract Committee recommended and the Independent Trustees approved the continuance of your fund's management contract, effective July 1, 2005.

This approval was based on the following conclusions:

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

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

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

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Model fee schedules and categories; total expenses

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

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

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

(a) 0.55% of the fund's average net assets (including assets attributable to both common and preferred shares)

or

(b) 0.65% of the first \$500 million of the fund's average net assets (including assets attributable to both common and preferred shares);

0.55% of the next \$500 million;

0.50% of the next \$500 million;

0.45% of the next \$5 billion;

0.425% of the next \$5 billion;
0.405% of the next \$5 billion;
0.39% of the next \$5 billion; and
0.38% thereafter.

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

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* **Competitiveness.** The Trustees also reviewed comparative fee and expense information for competitive funds, which indicated that, in a custom peer group of competitive funds selected by Lipper Inc., your fund ranked in the 50th percentile in management fees and in the 50th percentile in total expenses as of December 31, 2004 (the first percentile being the least expensive funds and the 100th percentile being the most expensive funds). The Trustees expressed their intention to monitor this information closely to ensure that fees and expenses of the Putnam funds continue to meet evolving competitive standards.

* **Economies of scale.** The Trustees concluded that the fee schedule currently in effect for your fund, which as of January 1, 2006, reflects the changes noted above, represents an appropriate sharing of economies of scale at current asset levels. Your fund currently has the benefit of breakpoints in its management fee that provide shareholders with significant economies of scale, which means that the effective management fee rate of a fund (as a percentage of fund assets) declines as a fund grows in size and crosses specified asset thresholds. The Trustees examined the existing breakpoint structure of the Putnam funds' management fees in light of competitive industry practices. The Trustees considered various possible modifications to the Putnam Funds' current breakpoint structure, but ultimately concluded that the current breakpoint structure continues to serve the interests of fund shareholders. Accordingly, the Trustees continue to believe that the fee schedules currently in effect for the funds, taking into account the changes noted above, represent an appropriate sharing of economies of scale at current asset levels.

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

Investment performance

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

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period. The Trustees considered the investment performance of each fund over multiple time periods and considered information comparing the fund's performance with various benchmarks and with the performance of competitive funds. The Trustees noted the satisfactory investment performance of many Putnam funds. They also

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noted the disappointing investment performance of certain funds in recent years and continued to discuss with senior management of Putnam Management the factors contributing to such underperformance and actions being taken to improve performance. The Trustees recognized that, in recent years, Putnam Management has made significant changes in its investment personnel and processes and in the fund product line to address areas of underperformance. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these changes and to evaluate whether additional remedial changes are warranted.

In the case of your fund, the Trustees considered that your fund's common share performance at net asset value was in the following percentiles of its Lipper Inc. peer group (Lipper High Yield Municipal Debt Funds (closed-end)) (compared using tax-adjusted performance to recognize the different federal income tax treatment for capital gains distributions and exempt-interest distributions) for the one-, three-, and five-year periods ended December 31, 2004 (the first percentile being the best-performing funds and the 100th percentile being the worst-performing funds):

| One-year period | Three-year period | Five-year period |
|-----------------|-------------------|------------------|
| 62nd | 46th | 30th |

(Because of the passage of time, these performance results may differ from the performance results for more recent periods shown elsewhere in this report. Over the one-, three-, and five-year periods ended December 31, 2004, there were 15, 12, and 12 funds, respectively, in your fund's Lipper peer group.* Past performance is no guarantee of future performance.)

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

** The percentile rankings for your fund's common share annualized total return performance in the Lipper High Yield Municipal Debt Funds (closed-end) category for the one-, five-, and ten-year periods ended March 31, 2006, were 88%, 77%, and 62%, respectively. Over the one-, five-, and ten-year periods ended March 31, 2006, the fund ranked 14th out of 15, 10th out of 12, and 8th out of 12 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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Brokerage and soft-dollar allocations; other benefits

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

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

Comparison of retail and institutional fee schedules

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

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Other information for shareholders

Important notice regarding share repurchase program

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

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. 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, 2005, 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, which is calculated separately for each class of shares. (For funds with preferred shares, the amount subtracted from total assets includes the liquidation preference of preferred shares.)

Statement of operations shows the fund's net investment gain or loss. This is done by first adding up all the fund's earnings — from dividends and interest income — and subtracting its operating expenses to determine net investment income (or loss). Then, any net gain or loss the fund realized on the sales of its holdings — as well as any unrealized gains or losses over the period — is added to or subtracted from the net investment result to determine the fund's net gain or loss for the fiscal 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 4/30/06 (Unaudited)

Key to abbreviations

AMBAC AMBAC Indemnity Corporation

COP Certificate of Participation

FGIC Financial Guaranty Insurance Company

FHA Insd. Federal Housing Administration Insured

FHLMC Coll. Federal Home Loan Mortgage

Corporation Collateralized

FNMA Coll. Federal National Mortgage Association

Collateralized

FSA Financial Security Assurance

GNMA Coll. Government National Mortgage

Association Collateralized

G.O. Bonds General Obligation Bonds

MBIA MBIA Insurance Company

PSFG Permanent School Fund Guaranteed

U.S. Govt. Coll. U.S. Government Collateralized

VRDN Variable Rate Demand Notes

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MUNICIPAL BONDS AND NOTES (144.1%)*

| | Rating ** | Principal amount | Value |
|--|-----------|------------------|------------|
| Alabama (0.4%) | | | |
| Butler, Indl. Dev. Board Solid Waste Disp. Rev. Bonds (GA. Pacific Corp.), 5 3/4s, 9/1/28 | B | \$ 950,000 | \$ 932,349 |
| Sylacauga, Hlth. Care Auth. Rev. Bonds (Coosa Valley Med. Ctr.), Ser. A, 6s, 8/1/25 | B/P | 650,000 | 666,614 |
| | | | 1,598,963 |

Alaska (1.0%)

| | | | |
|---|-------|-----------|-----------|
| AK State Hsg. Fin. Corp. VRDN, Ser. A, FSA, 3.87s, 12/1/24 | VMIG1 | 3,695,000 | 3,695,000 |
|---|-------|-----------|-----------|

Arizona (3.1%)

| | | | |
|---|-------|-----------|------------|
| Apache Cnty., Indl. Dev. Auth. Poll. Control Rev. Bonds (Tucson Elec. Pwr. Co.), Ser. B, 5 7/8s, 3/1/33 | Ba1 | 1,000,000 | 1,003,840 |
| AZ Hlth. Fac. Auth. Hosp. Syst. Rev. Bonds (John C. Lincoln Hlth. Network), 6 3/8s, 12/1/37 (Prerefunded) | BBB | 1,000,000 | 1,145,710 |
| Casa Grande, Indl. Dev. Auth. Rev. Bonds (Casa Grande Regl. Med. Ctr.), Ser. A, 7 5/8s, 12/1/29 | B+/P | 1,800,000 | 1,988,856 |
| Cochise Cnty., Indl. Dev. Auth. Rev. Bonds (Sierra Vista Regl. Hlth. Ctr.), Ser. A, 6.2s, 12/1/21 | BB+/P | 495,000 | 519,552 |
| Coconino Cnty., Poll. Control Rev. Bonds (Tuscon/Navajo Elec. Pwr.), Ser. A, 7 1/8s, 10/1/32 | Ba1 | 3,000,000 | 3,152,970 |
| Glendale, Wtr. & Swr. Rev. Bonds, AMBAC, 5s, 7/1/28 | Aaa | 2,000,000 | 2,065,460 |
| Pima Cnty., Indl. Dev. Auth. Rev. Bonds (Horizon Cmnty. Learning Ctr.), 5.05s, 6/1/25 | BBB- | 815,000 | 776,589 |
| Scottsdale, Indl. Dev. Auth. Hosp. Rev. Bonds (Scottsdale Hlth. Care), 5.8s, 12/1/31 | A3 | 1,000,000 | 1,060,590 |
| | | | 11,713,567 |

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MUNICIPAL BONDS AND NOTES (144.1%)* *continued*

| | Rating ** | Principal amount | Value |
|-----------------|-----------|------------------|-------|
| Arkansas (2.8%) | | | |

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| | | | |
|--|------|--------------|--------------|
| AR State Hosp. Dev. Fin. Auth. Rev. Bonds (Washington Regl. Med. Ctr.), 7 3/8s, 2/1/29 (Prerefunded) | Baa2 | \$ 4,600,000 | \$ 5,168,560 |
| Independence Cnty., Poll. Control Rev. Bonds (Entergy, Inc.), 5s, 1/1/21 | A- | 1,000,000 | 1,005,530 |
| Little Rock G.O. Bonds (Cap. Impt.), FSA, 3.95s, 4/1/19 | Aaa | 765,000 | 752,569 |
| Northwest Regl. Arpt. Auth. Rev. Bonds, 7 5/8s, 2/1/27 (Prerefunded) | BB/P | 2,750,000 | 2,977,673 |
| Washington Cnty., Hosp. Rev. Bonds (Regl. Med. Ctr.) Ser. A, 5s, 2/1/35 | Baa2 | 250,000 | 244,020 |
| Ser. B, 5s, 2/1/25 | Baa2 | 500,000 | 502,775 |
| | | | 10,651,127 |

| | | | |
|--|-------|------------|------------|
| California (16.9%) | | | |
| CA G.O. Bonds, 5s, 5/1/22 | A2 | 4,000,000 | 4,137,600 |
| CA Hlth. Fac. Fin. Auth. Rev. Bonds AMBAC, 5.293s, 7/1/17 | Aaa | 3,400,000 | 3,407,854 |
| (CA-NV Methodist), 5s, 7/1/26 | A | 500,000 | 511,165 |
| CA Poll. Control Fin. Auth. Solid Waste Disp. Rev. Bonds (Waste Management, Inc.), Ser. A-2, 5.4s, 4/1/25 | BBB | 1,200,000 | 1,242,792 |
| CA State Dept. of Wtr. Resources Rev. Bonds, Ser. A 6s, 5/1/15 (Prerefunded) | Aaa | 1,000,000 | 1,126,070 |
| AMBAC, 5 1/2s, 5/1/13 | Aaa | 16,500,000 | 18,011,400 |
| 5 1/2s, 5/1/11 | A2 | 3,000,000 | 3,211,710 |
| CA Statewide Cmnty. Dev. Auth. COP (The Internext Group), 5 3/8s, 4/1/30 | BBB | 3,000,000 | 2,989,830 |
| CA Statewide Cmnty. Dev. Auth. Rev. Bonds (Huntington Memorial Hosp.), 5s, 7/1/21 | A+ | 3,000,000 | 3,122,850 |
| (Thomas Jefferson School of Law), Ser. B, 4 7/8s, 10/1/31 | BBB- | 1,030,000 | 1,006,619 |
| CA Statewide Cmnty. Dev. Auth. Apt. Mandatory Put Bonds (Irvine Apt. Cmnty.), Ser. A-3, 5.1s, 5/17/10 | Baa2 | 2,250,000 | 2,313,473 |
| Capistrano, Unified School Dist. Cmnty. Fac. Special Tax Bonds (Ladera Ranch □ No. 98-2), 5.7s, 9/1/20 (Prerefunded) | BBB/P | 1,000,000 | 1,080,060 |
| Cathedral City, Impt. Board Act of 1915 Special Assmt. (Cove Impt. Dist.), Ser. 04-02, 5s, 9/2/30 | BB+/P | 250,000 | 246,178 |
| Cathedral City, Impt. Board Act of 1915 Special Assmt. Bonds (Cove Impt. Dist.), Ser. 04-02, 5.05s, 9/2/35 | BB+/P | 395,000 | 390,205 |
| Chula Vista Rev. Bonds (San Diego Gas), Ser. B, 5s, 12/1/27 | A1 | 950,000 | 968,383 |

MUNICIPAL BONDS AND NOTES (144.1%)* *continued*

| | Rating ** | Principal amount | Value |
|--|-----------|------------------|--------------|
| <i>California continued</i> | | | |
| Chula Vista, Cmnty. Fac. Dist. Special Tax | | | |
| Rev. Bonds | | | |
| (No. 08-1 Otay Ranch Village Six), 6s, 9/1/33 | BB/P | \$ 1,250,000 | \$ 1,290,625 |
| (No 07-I Otay Ranch Village Eleven), 5 7/8s, 9/1/34 | BB-/P | 300,000 | 311,673 |
| (No. 07-I Otay Ranch Village Eleven), 5.8s, 9/1/28 | BB-/P | 300,000 | 312,222 |
| Corona, COP (Vista Hosp. Syst.), zero %, 7/1/29 (In default) (F) □ | D/P | 10,775,000 | 118,525 |
| Folsom, Special Tax Rev. Bonds (Cmnty. Facs. Dist. No. 10), 5 7/8s, 9/1/28 | BB/P | 750,000 | 770,775 |
| Gilroy, Rev. Bonds (Bonfante Gardens Park), 8s, 11/1/25 | B-/P | 770,000 | 626,141 |
| Golden State Tobacco Securitization Corp. | | | |
| Rev. Bonds | | | |
| Ser. 03-A1, 6 3/4s, 6/1/39 | BBB | 850,000 | 946,815 |
| Ser. B, 5 5/8s, 6/1/38 (Prerefunded) | Aaa | 2,500,000 | 2,749,800 |
| Ser. 03 A-1, 5s, 6/1/21 | BBB | 750,000 | 754,755 |
| Murrieta, Cmnty. Fac. Dist. Special Tax (No. 2 The Oaks Impt. Area A), 6s, 9/1/34 | BB+/P | 1,100,000 | 1,142,207 |
| Orange Cnty., Cmnty. Fac. Dist. Special Tax Rev. Bonds (Ladera Ranch No. 02-1), Ser. A, 5.55s, 8/15/33 | | | |
| | BBB/P | 650,000 | 662,006 |
| Roseville, Cmnty. Fac. Special Tax (Dist. No. 1 -Westpark) | | | |
| 5 1/4s, 9/1/25 | BB/P | 315,000 | 317,750 |
| 5 1/4s, 9/1/17 | BB/P | 985,000 | 1,011,979 |
| Sacramento, Special Tax (North Natomas Cmnty. Fac.), Ser. 4-C, 6s, 9/1/33 | | | |
| | BBB/P | 1,250,000 | 1,324,588 |
| San Diego, Assn. of Bay Area Governments Fin. Auth. For Nonprofit Corps. Rev. Bonds (San Diego Hosp.), Ser. A, 6 1/8s, 8/15/20 | | | |
| | Baa1 | 250,000 | 268,863 |
| Santaluz Cmnty., Facs. Dist. No. 2 Special Tax Rev. Bonds (Impt. Area No. 1), Ser. B, 6 3/8s, 9/1/30 | | | |
| | BB+/P | 2,485,000 | 2,512,559 |
| Thousand Oaks, Cmnty. Fac. Dist. Special Tax Rev. Bonds (Marketplace 94-1), zero %, 9/1/14 | | | |
| | B/P | 3,465,000 | 1,912,160 |
| Vallejo, COP (Marine World Foundation), 7.2s, 2/1/26 | | | |
| | BBB-/P | 2,500,000 | 2,593,250 |
| | | | 63,392,882 |

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Colorado (2.4%)

| | | | |
|--|-----|------------|-----------|
| CO Hlth. Fac. Auth. Rev. Bonds (Evangelical Lutheran), 5 1/4s, 6/1/23 | A3 | 1,000,000 | 1,034,770 |
| CO Pub. Hwy. Auth. Rev. Bonds (E-470 Pub. Hwy.), Ser. B | | | |
| zero %, 9/1/35 (Prerefunded) | Aaa | 15,500,000 | 1,981,985 |
| zero %, 9/1/34 (Prerefunded) | Aaa | 16,500,000 | 2,276,505 |
| Denver, City & Cnty. Arpt. Rev. Bonds Ser. D, AMBAC, 7 3/4s, 11/15/13 | AAA | 1,050,000 | 1,203,857 |
| MBIA, 5 1/2s, 11/15/25 | Aaa | 2,500,000 | 2,546,825 |
| | | | 9,043,942 |

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MUNICIPAL BONDS AND NOTES (144.1%)* *continued*

| | Rating ** | Principal amount | Value |
|---|-----------|------------------|--------------|
| Delaware (0.8%) | | | |
| GMAC Muni. Mtge. Trust 144A sub. notes, Ser. A1-3, 5.3s, 10/31/39 | A3 | \$ 2,500,000 | \$ 2,568,000 |
| Sussex Cnty., Rev. Bonds (First Mtge. - Cadbury Lewes), Ser. A, 5.9s, 1/1/26 | BBB | 350,000 | 353,070 |
| | | | 2,921,070 |

District of Columbia (1.4%)

| | | | |
|---|------|-----------|-----------|
| DC G.O. Bonds, Ser. A, FSA, 5s, 6/1/27 | Aaa | 3,000,000 | 3,101,640 |
| DC Tobacco Settlement Fin. Corp. Rev. Bonds, 6 1/4s, 5/15/24 | Baa2 | 1,900,000 | 2,015,843 |
| | | | 5,117,483 |

Florida (6.0%)

| | | | |
|---|-------|-----------|-----------|
| CFM Cmnty. Dev. Dist. Rev. Bonds, Ser. A, 6 1/4s, 5/1/35 | BB-/P | 1,500,000 | 1,581,150 |
| Fishhawk, Cmnty. Dev. Dist. II Rev. Bonds Ser. A, 6 1/8s, 5/1/34 | BB/P | 485,000 | 505,031 |
| Ser. B, 5s, 11/1/07 | BB/P | 100,000 | 99,478 |
| FL State Mid-Bay Bridge Auth. Rev. Bonds, Ser. A, 6.05s, 10/1/22 | BBB/P | 770,000 | 794,786 |
| Fleming Island, Plantation Cmnty. Dev. Dist. Special Assmt. Rev. Bonds, Ser. B, 7 3/8s, 5/1/31 | BB/P | 750,000 | 800,033 |
| Gateway Svcs. Cmnty., Dev. Dist. Special Assmt. Bonds (Stoneybrook), 5 1/2s, 7/1/08 | BB/P | 250,000 | 250,903 |
| Heritage Harbor, South Cmnty. Dev. Distr. Rev. Bonds, Ser. A, 6 1/2s, 5/1/34 | BB+/P | 485,000 | 509,318 |

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| | | | |
|--|-------|-----------|-----------|
| Heritage Isle at Viera, Cmnty. Dev. Dist. Special Assmt., Ser. B, 5s, 11/1/09 | BB/P | 250,000 | 249,328 |
| Islands at Doral III, Cmnty. Dev. Dist. Special Assmt. Bonds, Ser. 04-A, 5.9s, 5/1/35 | BB/P | 1,230,000 | 1,267,589 |
| Lee Cnty., Incl. Dev. Auth. Rev. Bonds (Alliance Cmnty.), Ser. C, 5 1/2s, 11/15/29 | BBB- | 1,000,000 | 993,580 |
| Miami Beach, Hlth. Fac. Auth. Hosp. Rev. Bonds (Mount Sinai Med. Ctr.), Ser. A, 6.7s, 11/15/19 | Ba1 | 1,335,000 | 1,467,899 |
| North Springs, Impt. Dist. Special Assmt. Rev. Bonds (Parkland Golf Country Club), Ser. A-1, 5.45s, 5/1/26 | BB-/P | 250,000 | 247,300 |
| Old Palm, Cmnty. Dev. Dist. Special Assmt. Bonds (Palm Beach Gardens), Ser. A, 5.9s, 5/1/35 | BB-/P | 985,000 | 1,010,413 |
| Reunion West, Cmnty. Dev. Dist. Special Assmt. Bonds, 6 1/4s, 5/1/36 | BB/P | 1,500,000 | 1,565,475 |
| South Bay, Cmnty. Dev. Dist. Rev. Bonds, Ser. B-2, 5 3/8s, 5/1/13 | BB-/P | 2,500,000 | 2,526,400 |
| South Miami, Hlth. Fac. Auth. Rev. Bonds (Baptist Hlth.), 5 1/4s, 11/15/33 | Aa3 | 1,500,000 | 1,539,255 |
| South Village, Cmnty. Dev. Dist. Rev. Bonds, Ser. A, 5.7s, 5/1/35 | BB-/P | 495,000 | 501,826 |
| Sterling Hill, Cmnty. Dev. Dist. Rev. Bonds, Ser. B, 5 1/2s, 11/1/10 | BB-/P | 645,000 | 647,032 |

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MUNICIPAL BONDS AND NOTES (144.1%)* *continued*

| | Rating ** | Principal amount | Value |
|--|-----------|------------------|------------|
| <i>Florida continued</i> | | | |
| Tampa Bay, Cmnty. Dev. Dist. Special Assmt. (New Port), Ser. A, 5 7/8s, 5/1/38 | BB-/P | \$ 425,000 | \$ 431,673 |
| Tern Bay, Cmnty. Dev. Dist. Rev. Bonds, Ser. B, 5s 5/1/15 | BB-/P | 600,000 | 597,852 |
| Tern Bay, Cmnty. Dev. Dist. Special Assmt., Ser. A, 5 3/8s, 5/1/37 | BB-/P | 1,150,000 | 1,151,104 |
| Tolomato, Cmnty. Dev. Dist. Special Assmt., 5.4s, 5/1/37 | BB-/P | 325,000 | 325,803 |
| Verano Ctr. Cmnty. Dev. Dist. Special Assmt. (Cmnty. Infrastructure), Ser. B, 5s, 11/1/13 | BB-/P | 475,000 | 472,682 |
| Westchester Cmnty. Dev. Dist. No. 1 Special Assmt. (Cmnty. Infrastructure), 6 1/8s, 5/1/35 | BB-/P | 1,250,000 | 1,309,038 |
| World Commerce Cmnty. Dev. Dist. Special Assmt., Ser. A-1 | | | |
| 6 1/2s, 5/1/36 | BB-/P | 1,250,000 | 1,292,950 |
| 6 1/4s, 5/1/22 | BB-/P | 550,000 | 567,930 |
| | | | 22,705,828 |

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Georgia (4.2%)

| | | | |
|--|------|-----------|------------|
| Atlanta Arpt. Passenger Fac. Rev. Bonds (Sub. Lien), Ser. J, FSA, 5s, 1/1/27 | Aaa | 5,000,000 | 5,155,650 |
| Burke Cnty., Poll. Control Dev. Auth. Mandatory Put Bonds (GA Power Co.), 4.45s, 12/1/08 | A2 | 4,000,000 | 4,058,240 |
| Fulton Cnty., Res. Care Fac. Rev. Bonds (Canterbury Court), Class A, 6 1/8s, 2/15/34 | B+/P | 425,000 | 440,568 |
| GA Muni. Elec. Auth. Rev. Bonds, AMBAC, 5s, 1/1/26 | Aaa | 2,500,000 | 2,570,650 |
| Med. Ctr. Hosp. Auth. Rev. Bonds, MBIA, 6.367s, 8/1/10 | Aaa | 1,400,000 | 1,402,338 |
| Rockdale Cnty., Dev. Auth. Solid Waste Disp. Rev. Bonds (Visay Paper, Inc.), 7.4s, 1/1/16 | B+/P | 1,955,000 | 1,957,190 |
| | | | 15,584,636 |

Hawaii (0.9%)

| | | | |
|---|-----|-----------|-----------|
| HI Dept. of Trans. Special Fac. Rev. Bonds (Continental Airlines, Inc.), 7s, 6/1/20 | B | 1,700,000 | 1,683,986 |
| HI State Hsg. & Cmnty. Dev. Corp. Rev. Bonds (Single Fam. Mtge.), Ser. B, 3.7s, 1/1/22 | Aaa | 1,800,000 | 1,776,978 |
| | | | 3,460,964 |

Idaho (0.7%)

| | | | |
|--|------|-----------|-----------|
| ID Hsg. & Fin. Assn. Rev. Bonds (Single Fam. Mtge.), Ser. C-2, FHA Insd., 5.15s, 7/1/29 | Aaa | 1,000,000 | 1,015,020 |
| Madison Cnty., Hosp. COP, 5 1/4s, 9/1/20 | BBB- | 1,480,000 | 1,533,635 |
| | | | 2,548,655 |

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MUNICIPAL BONDS AND NOTES (144.1%)* *continued*

| | Rating ** | Principal amount | Value |
|--|-----------|------------------|------------|
| Illinois (2.6%) | | | |
| Bedford Pk., Village Rev. Bonds (Hotel/Motel Tax), Ser. A, 4.9s, 12/1/23 | Baa1 | \$ 600,000 | \$ 591,636 |
| Chicago, G.O. Bonds, Ser. A, AMBAC 5 5/8s, 1/1/39 (Prerefunded) | Aaa | 3,395,000 | 3,726,454 |
| 5 5/8s, 1/1/39 | Aaa | 105,000 | 112,395 |
| IL Dev. Fin. Auth. Hosp. Rev. Bonds (Adventist Hlth. Syst./Sunbelt Obligation), 5.65s, 11/15/24 (Prerefunded) | A2 | 3,250,000 | 3,471,000 |
| IL Fin. Auth. Rev. Bonds (Friendship Village Schaumburg), Ser. A, 5 5/8s, | | | |

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| | | | |
|---|------|---------|-----------|
| 2/15/37 | B+/P | 300,000 | 302,766 |
| (Landing At Plymouth Place), Ser. A, 5.35s, 5/15/15 | B+/P | 600,000 | 597,438 |
| IL Fin. Auth. Solid Waste Disposal (Waste Mgmt., Inc.), Ser. A, 5.05s, 8/1/29 | BBB | 250,000 | 246,615 |
| IL Hlth. Fac. Auth. Rev. Bonds (St. Benedict), Ser. 03A-1, 6.9s, 11/15/33 | B/P | 500,000 | 532,340 |
| | | | 9,580,644 |

Indiana (3.0%)

| | | | |
|--|------|-----------|------------|
| IN State Dev. Fin. Auth. Env. Impt. Rev. Bonds (USX Corp.), 5.6s, 12/1/32 | Baa1 | 2,500,000 | 2,569,875 |
| IN Trans. Fin. Auth. Arpt. Facs. Lease Rev. Bonds, Ser. A, AMBAC, 5s, 11/1/16 (Prerefunded) | Aaa | 6,500,000 | 6,673,550 |
| Rockport, Poll. Control Mandatory Put Bonds (Indiana Michigan Pwr. Co.), Ser. C, 2 5/8s, 10/1/06 | Baa2 | 1,750,000 | 1,735,913 |
| St. Joseph Cnty., Econ. Dev. Rev. Bonds (Holy Cross Village Notre Dame), Ser. A, 5 3/4s, 5/15/15 | B/P | 455,000 | 471,025 |
| | | | 11,450,363 |

Iowa (2.1%)

| | | | |
|---|--------|-----------|-----------|
| IA Fin. Auth. Hlth. Care Fac. Rev. Bonds (Care Initiatives) | | | |
| 9 1/4s, 7/1/25 | BBB-/P | 2,900,000 | 3,441,198 |
| 9.15s, 7/1/09 | BBB-/P | 1,125,000 | 1,245,611 |
| IA Fin. Auth. Retirement Cmnty. Rev. Bonds (Friendship Haven), Ser. A | | | |
| 6 1/8s, 11/15/32 | BB/P | 200,000 | 201,718 |
| 6s, 11/15/24 | BB/P | 200,000 | 200,996 |
| Tobacco Settlement Auth. of IA Rev. Bonds | | | |
| Ser. C, 5 3/8s, 6/1/38 | BBB | 750,000 | 749,393 |
| Ser. B, zero %, 6/1/34 | BBB | 2,250,000 | 2,095,290 |
| | | | 7,934,206 |

Kansas (0.2%)

| | | | |
|---|----|---------|---------|
| Salina, Hosp. Rev. Bonds (Salina Regl. Hlth.) | | | |
| 5s, 10/1/17 | A1 | 500,000 | 521,825 |
| 5s, 10/1/15 | A1 | 250,000 | 262,825 |
| | | | 784,650 |

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MUNICIPAL BONDS AND NOTES (144.1%)* *continued*

Rating ** Principal amount Value

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Kentucky (0.5%)

| | | | |
|--|--------|--------------|--------------|
| KY Econ. Dev. Fin. Auth. Rev. Bonds (Norton Hlth. Care, Inc.), Ser. A, 6 1/2s, 10/1/20 | BBB+/F | \$ 1,700,000 | \$ 1,838,618 |
|--|--------|--------------|--------------|

Louisiana (1.4%)

| | | | |
|---|------|-----------|-----------|
| LA Local Govt. Env. Fac. Cmnty. Dev. Auth. Rev. Bonds (Hlth. Care - St. James Place), Ser. A, 7s, 11/1/26 | B-/P | 400,000 | 404,344 |
| (St. James Place), Ser. A, 7s, 11/1/20 | B-/P | 1,000,000 | 1,015,430 |
| LA Pub. Fac. Auth. Rev. Bonds (Pennington Med. Foundation), 5s, 7/1/16 | A3 | 600,000 | 625,932 |
| Tangipahoa Parish Hosp. Svcs. Rev. Bonds (North Oaks Med. Ctr.), Ser. A, 5s, 2/1/25 | A | 500,000 | 495,160 |
| W. Feliciana Parish, Poll. Control Rev. Bonds (Gulf States Util. Co.), Ser. C, 7s, 11/1/15 | BBB- | 2,750,000 | 2,781,873 |
| | | | 5,322,739 |

Maine (1.0%)

| | | | |
|--|-----|-----------|-----------|
| ME State Hsg. Auth. Rev. Bonds, Ser. D-2-AMT, 5s, 11/15/27 | Aa1 | 1,600,000 | 1,625,328 |
| Rumford, Solid Waste Disp. Rev. Bonds (Boise Cascade Corp.), 6 7/8s, 10/1/26 | Ba2 | 2,000,000 | 2,171,280 |
| | | | 3,796,608 |

Maryland (1.0%)

| | | | |
|--|------|-----------|-----------|
| MD State Hlth. & Higher Edl. Fac. Auth. Rev. Bonds (Medstar Hlth.), 5 3/4s, 8/15/15 | Baa1 | 1,000,000 | 1,083,410 |
| (Peninsula Regl. Med. Ctr.), 5s, 7/1/16 | A2 | 650,000 | 687,648 |
| MD State Indl. Dev. Fin. Auth. Econ. Dev. Rev. Bonds (Our Lady of Good Counsel School), Ser. A, 6s, 5/1/35 | B/P | 200,000 | 211,968 |
| Westminster, Econ. Dev. Rev. Bonds (Carroll Lutheran Village), Ser. A, 5 7/8s, 5/1/21 | BB/P | 1,850,000 | 1,894,382 |
| | | | 3,877,408 |

Massachusetts (8.9%)

| | | | |
|---|--------|-----------|-----------|
| Boston, Indl. Dev. Fin. Auth. Rev. Bonds (Springhouse, Inc.), 6s, 7/1/28 | BB-/P | 600,000 | 604,104 |
| MA State Dev. Fin. Agcy. Rev. Bonds (Lasell Village), Ser. A, 6 3/8s, 12/1/25 | BB-/P | 585,000 | 589,914 |
| MA State Hlth. & Edl. Fac. Auth. Rev. Bonds (Civic Investments), Ser. A, 9s, 12/15/15 | BBB-/P | 1,900,000 | 2,281,615 |

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| | | | |
|---|------|-----------|-----------|
| (Norwood Hosp.), Ser. C, 7s, 7/1/14 (Prerefunded) | Ba2 | 1,185,000 | 1,407,519 |
| (Jordan Hosp.), Ser. E, 6 3/4s, 10/1/33 | BBB- | 1,200,000 | 1,304,052 |
| (UMass Memorial), Ser. C, 6 5/8s, 7/1/32 | Baa2 | 2,225,000 | 2,434,017 |
| (UMass Memorial), Ser. C, 6 1/2s, 7/1/21 | Baa2 | 1,875,000 | 2,044,950 |
| (Caritas Christi Oblig. Group), Ser. A, 5 1/4s, 7/1/08 | BBB | 1,500,000 | 1,523,760 |
| (Partners Hlth. Care Syst.), Ser. F, 5s, 7/1/21 | Aa3 | 1,000,000 | 1,044,010 |

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MUNICIPAL BONDS AND NOTES (144.1%)* *continued*

| | Rating ** | Principal amount | Value |
|---|-------------------|--------------------------|--------------------------|
| <i>Massachusetts continued</i> | | | |
| MA State Hsg. Fin. Agcy. Rev. Bonds (Rental Mtge.) Ser. C, AMBAC, 5 5/8s, 7/1/40 | Aaa | \$ 2,000,000 | \$ 2,034,480 |
| Ser. A, AMBAC, 5 1/2s, 7/1/40 | Aaa | 15,290,000 | 15,561,398 |
| MA State Indl. Fin. Agcy. Rev. Bonds (TNG Marina Bay LLC Project), U.S. Govt. Coll., 7 1/2s, 12/1/27 (Prerefunded) | AAA | 580,000 | 625,344 |
| MA State Indl. Fin. Agcy. Rev. Bonds (1st Mtge. Stone Institution & Newton), 7.9s, 1/1/24 (1st Mtge. Berkshire Retirement), Ser. A, 6 5/8s, 7/1/16 | BB-/P BBB- | 500,000 1,550,000 | 504,485 1,553,875 |
| | | | 33,513,523 |

Michigan (5.2%)

| | | | |
|--|------|-----------|------------|
| Flint, Hosp. Bldg. Auth. Rev. Bonds (Hurley Med. Ctr.), 6s, 7/1/20 | Baa3 | 275,000 | 283,682 |
| Garden City, Hosp. Fin. Auth. Rev. Bonds (Garden City Hosp. OB Group), Ser. A, 5 3/4s, 9/1/17 | Ba1 | 350,000 | 341,446 |
| MI State Hosp. Fin. Auth. Rev. Bonds (Oakwood Hosp.), Ser. A, 6s, 4/1/22 | A2 | 1,500,000 | 1,610,205 |
| (Chelsea Cmnty. Hosp. Oblig.), 5s, 5/15/25 | BBB | 755,000 | 740,451 |
| MI State Hsg. Dev. Auth. Rev. Bonds, Ser. A, 3.9s, 6/1/30 | Aaa | 1,500,000 | 1,487,985 |
| Midland Cnty., Econ. Dev. Corp. Rev. Bonds, 6 3/4s, 7/23/09 | B | 2,000,000 | 2,003,620 |
| Plymouth-Canton Cmnty., School Dist. G.O. Bonds, FGIC, Q-SBLF, 5s, 5/1/26 | Aaa | 4,750,000 | 4,914,445 |
| Saginaw Cnty., G.O. Bonds, MBIA, 5s, 5/1/29 | Aaa | 4,750,000 | 4,934,775 |
| Warren Cons. School Dist. G.O. Bonds, FSA, 5 3/8s, 5/1/18 | Aaa | 2,975,000 | 3,159,896 |
| | | | 19,476,505 |

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Minnesota (2.1%)

| | | | |
|--|------|-----------|-----------|
| Cohasset, Poll. Control Rev. Bonds (Allete, Inc.), 4.95s, 7/1/22 | A | 2,000,000 | 2,002,520 |
| Hutchinson, G.O. Bonds (Indpt. School Dist. No. 423), Ser. A, 5 3/4s, 2/1/13 (Prerefunded) | Aa2 | 1,000,000 | 1,033,400 |
| MN Agricultural & Econ. Dev. Board Rev. Bonds (Hlth. Care Syst.), Ser. A, MBIA, 5 1/2s, 11/15/17 (Prerefunded) | Aaa | 2,390,000 | 2,502,378 |
| MN State Hsg. Fin. Agcy. Rev. Bonds (Residential Hsg.), Ser. H, 4.15s, 1/1/12 | Aa1 | 760,000 | 754,292 |
| Sauk Rapids Hlth. Care & Hsg. Fac. Rev. Bonds (Good Shepherd Lutheran Home), 6s, 1/1/34 | B/P | 400,000 | 405,596 |
| St. Paul, Hsg. & Redev. Auth. Hosp. Rev. Bonds (Hlth. East), 6s, 11/15/25 | Baa3 | 1,000,000 | 1,079,800 |
| | | | 7,777,986 |

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MUNICIPAL BONDS AND NOTES (144.1%)* *continued*

| | Rating ** | Principal amount | Value |
|---|-----------|------------------|--------------|
| Mississippi (1.1%) | | | |
| Lowndes Cnty., Solid Waste Disp. & Poll. Control Rev. Bonds (Weyerhaeuser Co.), Ser. B, 6.7s, 4/1/22 | Baa2 | \$ 1,500,000 | \$ 1,753,920 |
| MS Bus. Fin. Corp. Poll. Control Rev. Bonds (Syst. Energy Resources, Inc.), 5.9s, 5/1/22 | BBB- | 1,250,000 | 1,262,000 |
| MS Home Corp. Rev. Bonds (Single Fam. Mtge.), Ser. B-2, GNMA Coll., FNMA Coll., 6.45s, 12/1/33 | Aaa | 1,180,000 | 1,233,029 |
| | | | 4,248,949 |

Missouri (4.6%)

| | | | |
|---|-------|-----------|-----------|
| Cape Girardeau Cnty., Indl. Dev. Auth. Hlth. Care Fac. Rev. Bonds (St. Francis Med. Ctr.), Ser. A, 5 1/2s, 6/1/32 | A+ | 1,500,000 | 1,566,885 |
| Kansas City, Indl. Dev. Auth. Hlth. Fac. Rev. Bonds (First Mtge. Bishop Spencer), Ser. A, 6 1/2s, 1/1/35 | BB-/P | 1,500,000 | 1,550,955 |
| MO Hsg. Dev. Comm. Rev. Bonds (Home Ownership) | | | |
| Ser. D, GNMA Coll., FNMA Coll., 5.55s, 9/1/34 | Aaa | 1,510,000 | 1,552,371 |
| Ser. B, GNMA Coll., FNMA Coll., 4.4s, 9/1/14 | AAA | 420,000 | 415,939 |
| Ser. B, GNMA Coll., FNMA Coll., 4.3s, 9/1/13 | AAA | 410,000 | 407,179 |
| MO State Hlth. & Edl. Fac. Auth. Rev. Bonds (BJC Hlth. Syst.), 5 1/4s, 5/15/32 | Aa2 | 1,450,000 | 1,499,025 |
| MO State Hlth. & Edl. Fac. Auth. VRDN | | | |

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| | | | |
|--|-------|-----------|------------|
| (St. Francis Med. Ctr.), Ser. A, 3.82s, 6/1/26 | A-1+ | 3,195,000 | 3,195,000 |
| (Cox Hlth. Syst.), AMBAC, 3.8s, 6/1/22 | VMIG1 | 7,060,000 | 7,060,000 |
| | | | 17,247,354 |

Montana (0.5%)

| | | | |
|---|-----|-----------|-----------|
| Forsyth, Poll. Control Mandatory Put Bonds (Avista Corp.), AMBAC, 5s, 12/30/08 | Aaa | 1,775,000 | 1,820,600 |
|---|-----|-----------|-----------|

Nebraska (□%)

| | | | |
|--|-----|---------|--------|
| Kearney, Indl. Dev. Rev. Bonds (Great Platte River), 8s, 9/1/12 | D/P | 65,059 | 49,084 |
| (Brookhaven), zero %, 9/1/12 | D/P | 791,466 | 39,573 |
| | | | 88,657 |

Nevada (3.5%)

| | | | |
|--|-------|-----------|-----------|
| Clark Cnty., Impt. Dist. Special Assmt. (Dist. No. 142), 6 3/8s, 8/1/23 | BB-/P | 1,000,000 | 1,035,280 |
| (Summerlin No. 151), 5s, 8/1/16 | BB/P | 1,010,000 | 999,557 |
| Clark Cnty., Indl. Dev. Rev. Bonds (Southwest Gas Corp.), Ser. C, AMBAC, 5.95s, 12/1/38 | Aaa | 5,000,000 | 5,408,000 |
| Henderson, Local Impt. Dist. Special Assmt. (No. T-14), 5.8s, 3/1/23 | BB-/P | 480,000 | 495,346 |
| (No. T-16), 5 1/8s, 3/1/25 | BB-/P | 500,000 | 496,085 |
| (No. T-17), 5s, 9/1/18 | BB/P | 275,000 | 273,232 |
| (No. T-18), 5s, 9/1/16 | BB- | 1,425,000 | 1,428,320 |

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MUNICIPAL BONDS AND NOTES (144.1%)* *continued*

| | Rating ** | Principal amount | Value |
|--|-----------|------------------|------------|
| <i>Nevada continued</i> | | | |
| Las Vegas, Local Impt. Board Special Assmt. (Dist. No. 607), 5.9s, 6/1/18 | BB-/P | \$ 875,000 | \$ 899,316 |
| Washoe Cnty., Wtr. Fac. Mandatory Put Bonds (Sierra Pacific Pwr. Co.), 5s, 7/1/09 | Ba1 | 2,000,000 | 1,988,340 |
| | | | 13,023,476 |

New Hampshire (1.7%)

| | | | |
|---|-------|---------|---------|
| NH Higher Ed. & Hlth. Fac. Auth. Rev. Bonds (Riverwoods at Exeter), Ser. A, 6 3/8s, 3/1/13 | BB+/P | 590,000 | 601,594 |
| NH Hlth. & Ed. Fac. Auth. Rev. Bonds (Kendal at | | | |

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| | | | |
|--|--------|-----------|-----------|
| Hanover), Ser. A, 5s, 10/1/18 | BBB | 1,275,000 | 1,277,550 |
| NH State Bus. Fin. Auth. Rev. Bonds (Alice Peck Day Hlth. Syst.), Ser. A, 7s, 10/1/29 | BBB-/P | 2,565,000 | 2,657,314 |
| NH State Bus. Fin. Auth. Poll. Control Rev. Bonds, 3 1/2s, 7/1/27 | Baa2 | 1,750,000 | 1,692,740 |
| | | | 6,229,198 |

New Jersey (4.0%)

| | | | |
|--|-------|-----------|------------|
| NJ Econ. Dev. Auth. Rev. Bonds | | | |
| (Cranes Mill), Ser. A, 7 1/2s, 2/1/27 (Prerefunded) | Aaa | 1,300,000 | 1,362,127 |
| (Cedar Crest Vlg., Inc.), Ser. A, 7 1/4s, 11/15/31 | BB-/P | 1,250,000 | 1,351,200 |
| (Newark Arpt. Marriot Hotel), 7s, 10/1/14 | Ba2 | 1,900,000 | 1,941,439 |
| (First Mtge. Presbyterian Home), Ser. A, 6 3/8s, 11/1/31 | BB/P | 500,000 | 513,470 |
| (First Mtge. Lions Gate), Ser. A, 5 7/8s, 1/1/37 | B/P | 230,000 | 234,860 |
| (Cigarette Tax), 5 1/2s, 6/15/24 | Baa2 | 2,500,000 | 2,607,800 |
| NJ Econ. Dev. Auth. Solid Waste Rev. Bonds (Disp. Waste Mgt.), 5.3s, 6/1/15 | | | |
| | BBB | 1,750,000 | 1,829,398 |
| NJ Hlth. Care Fac. Fin. Auth. Rev. Bonds | | | |
| (Trinitas Hosp. Oblig. Group), 7 1/2s, 7/1/30 | Baa3 | 1,300,000 | 1,432,223 |
| (United Methodist Homes), Ser. A, 5 3/4s, 7/1/29 | BB+ | 2,250,000 | 2,284,673 |
| (Atlantic City Med. Ctr.), 5 3/4s, 7/1/25 | A2 | 1,250,000 | 1,310,563 |
| | | | 14,867,753 |

New Mexico (0.5%)

| | | | |
|--|------|-----------|-----------|
| Farmington, Poll. Control Rev. Bonds (San Juan), Ser. B, 4 7/8s, 4/1/33 | | | |
| | Baa2 | 1,200,000 | 1,179,636 |
| NM Mtge. Fin. Auth. Rev. Bonds (Single Fam. Mtge.), Ser. D-2, GNMA Coll., FNMA Coll., FHLMC Coll., 5.64s, 9/1/33 | | | |
| | AAA | 525,000 | 542,960 |
| | | | 1,722,596 |

New York (15.3%)

| | | | |
|--|-------|-----------|-----------|
| Huntington, Hsg. Auth. Rev. Bonds (Gurwin Jewish Sr. Residence), Ser. A, 6s, 5/1/39 | | | |
| | B+/P | 500,000 | 509,040 |
| Long Island, Pwr. Auth. NY Elec. Syst. Rev. Bonds, Ser. A, U.S. Govt. Coll., 5 3/4s, 12/1/24 (Prerefunded) | | | |
| | AAA | 2,000,000 | 2,097,680 |
| Metro. Trans. Auth. VRDN, Ser. E-2, 3.82s, 11/1/35 | VMIG1 | 1,200,000 | 1,200,000 |

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MUNICIPAL BONDS AND NOTES (144.1%)* *continued*

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| | Rating ** | Principal amount | Value |
|--|-----------|------------------|--------------|
| <i>New York continued</i> | | | |
| Nassau Cnty., Invl. Dev. Agcy. Rev. Bonds (Keyspan-Glenwood), 5 1/4s, 6/1/27 | A | \$ 2,000,000 | \$ 2,042,560 |
| NY City, G.O. Bonds, Ser. B, 5 1/4s, 12/1/09 | A1 | 10,000,000 | 10,456,600 |
| NY City, Invl. Dev. Agcy. Rev. Bonds (Staten Island U. Hosp. Project), 6.45s, 7/1/32 | B2 | 1,485,000 | 1,510,898 |
| (Liberty-7 World Trade Ctr.), Ser. A, 6 1/4s, 3/1/15 | B-/P | 1,275,000 | 1,344,832 |
| NY City, Invl. Dev. Agcy. Special Fac. Rev. Bonds (American Airlines - JFK Intl., Arpt.), 7 1/2s, 8/1/16 | B- | 1,400,000 | 1,532,972 |
| (British Airways PLC), 5 1/4s, 12/1/32 | Ba2 | 2,825,000 | 2,571,202 |
| NY City, Muni. Wtr. Fin. Auth. Rev. Bonds, Ser. C, MBIA, 5 1/2s, 6/15/17 | Aaa | 10,000,000 | 10,120,700 |
| NY Cntys., Tobacco Trust IV Rev. Bonds, Ser. A, 5s, 6/1/38 | BBB | 1,000,000 | 956,890 |
| NY State Dorm. Auth. Rev. Bonds (Winthrop- U. Hosp. Assn.), Ser. A, 5 1/2s, 7/1/32 | Baa1 | 900,000 | 931,671 |
| NY State Energy Research & Dev. Auth. Gas Fac. Rev. Bonds (Brooklyn Union Gas), 6.952s, 7/1/26 | A+ | 2,400,000 | 2,458,920 |
| Onondaga Cnty., Invl. Dev. Agcy. Rev. Bonds (Solvay Paperboard, LLC), 7s, 11/1/30 (acquired 12/9/98, cost \$2,000,000) □ | BB/P | 2,000,000 | 2,091,580 |
| Port Auth. NY & NJ Rev. Bonds (Kennedy Intl. Arpt. - 5th Installment), 6 3/4s, 10/1/19 | BB+/P | 200,000 | 203,800 |
| Port. Auth. NY & NJ Special Oblig. Rev. Bonds (JFK Intl. Air Term. - 6), MBIA, 5.9s, 12/1/17 | Aaa | 15,000,000 | 15,736,500 |
| Suffolk Cnty., Invl. Dev. Agcy. Rev. Bonds (Peconic Landing), Ser. A, 8s, 10/1/30 | B+/P | 1,700,000 | 1,864,305 |
| | | | 57,630,150 |

North Carolina (2.6%)

| | | | |
|--|-------|-----------|-----------|
| NC Eastern Muni. Pwr. Agcy. Syst. Rev. Bonds Ser. D, 6 3/4s, 1/1/26 | Baa2 | 1,500,000 | 1,638,660 |
| Ser. A, 5 3/4s, 1/1/26 | Baa2 | 3,000,000 | 3,169,440 |
| NC Med. Care Cmnty. Healthcare Fac. Rev. Bonds (Deerfield), Ser. A, 5s, 11/1/23 | A-/F | 750,000 | 764,025 |
| NC Med. Care Comm. Retirement Fac. Rev. Bonds (First Mtge.), Ser. A-05, 5 1/2s, 10/1/35 | BB+/P | 1,040,000 | 1,040,572 |
| (First Mtge.), Ser. A-05, 5 1/4s, 10/1/25 | BB+/P | 600,000 | 602,280 |
| (First Mtge. United Methodist), Ser. C, 5 1/4s, 10/1/24 | BB+/P | 150,000 | 150,989 |
| NC State Muni. Pwr. Agcy. Rev. Bonds (No. 1, Catawba Elec.), Ser. B, 6 1/2s, 1/1/20 | A3 | 1,000,000 | 1,089,370 |
| Ser. A, FGIC, 5 1/2s, 1/1/13 | AAA | 1,300,000 | 1,410,591 |
| | | | 9,865,927 |

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Ohio (2.2%)

| | | | |
|--|------|-----------|-----------|
| Coshocton Cnty., Env. Rev. Bonds (Smurfit-Stone Container Corp.), 5 1/8s, 8/1/13 | CCC+ | 1,400,000 | 1,347,024 |
| Cuyahoga Cnty., Rev. Bonds, Ser. A 6s, 1/1/16 | Aa3 | 1,280,000 | 1,421,978 |

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MUNICIPAL BONDS AND NOTES (144.1%)* *continued*

| | Rating ** | Principal amount | Value |
|--|-----------|------------------|--------------|
| <i>Ohio continued</i> | | | |
| Cuyahoga Cnty., Rev. Bonds, Ser. A 6s, 1/1/15 | Aa3 | \$ 2,000,000 | \$ 2,225,760 |
| OH State Air Quality Dev. Auth. Rev. Bonds (Toled Poll. Control), Ser. A, 6.1s, 8/1/27 | Baa2 | 3,000,000 | 3,128,880 |
| | | | 8,123,642 |

Oklahoma (3.3%)

| | | | |
|---|-----|-----------|------------|
| OK City Arpt. Trust Rev. Bonds Jr. Lien 27th Ser., Ser. A, FSA, 5s, 7/1/18 | Aaa | 3,150,000 | 3,239,051 |
| OK Dev. Fin. Auth. Rev. Bonds (Hillcrest Hlth. Care Syst.), Ser. A, U.S. Govt. Coll., 5 5/8s, 8/15/29 (Prerefunded) | Aaa | 1,575,000 | 1,677,265 |
| OK State Indl. Dev. Auth. Rev. Bonds (Hlth. Syst.), Ser. A, MBIA 5 3/4s, 8/15/29 | AAA | 4,045,000 | 4,278,073 |
| 5 3/4s, 8/15/29 (Prerefunded) | AAA | 2,955,000 | 3,158,156 |
| | | | 12,352,545 |

Oregon (0.8%)

| | | | |
|---|-------|-----------|-----------|
| Multnomah Cnty., Hosp. Fac. Auth. Rev. Bonds (Terwilliger Plaza), 6 1/2s, 12/1/29 | BB-/P | 1,900,000 | 1,963,403 |
| OR State Hsg. & Cmnty. Svcs. Dept. Rev. Bonds (Single Family Mtge.), Ser. K, 5 5/8s, 7/1/29 | Aa2 | 845,000 | 870,468 |
| | | | 2,833,871 |

Pennsylvania (7.0%)

| | | | |
|---|-----|-----------|-----------|
| Allegheny Cnty., Indl. Dev. Auth. Rev. Bonds (Env. Impt.), 5 1/2s, 11/1/16 | Ba1 | 1,250,000 | 1,304,700 |
| Bucks Cnty., Indl. Dev. Auth. Retirement Cmnty. Rev. Bonds (Ann ^{nc} s Choice, Inc.), Ser. A | | | |

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| | | | |
|--|-------|-----------|-----------|
| 6 1/8s, 1/1/25 | BB/P | 610,000 | 624,335 |
| 5.3s, 1/1/14 | BB/P | 690,000 | 683,535 |
| Carbon Cnty., Indl. Dev. Auth. Rev. Bonds (Panther Creek Partners), 6.65s, 5/1/10 | BBB- | 1,560,000 | 1,641,198 |
| Lebanon Cnty., Hlth. Facs. Rev. Bonds (Pleasant View Retirement), Ser. A, 5.3s, 12/15/26 | BB-/P | 500,000 | 494,410 |
| Lehigh Cnty., Gen. Purpose Auth. Rev. Bonds (Lehigh Valley Hosp. Hlth. Network), Ser. A, 5 1/4s, 7/1/32 | A1 | 1,000,000 | 1,021,810 |
| Monroe Cnty., Hosp. Auth. Rev. Bonds (Pocono Med. Ctr.), 6s, 1/1/43 | BBB+ | 500,000 | 524,325 |
| Montgomery Cnty., Indl. Auth. Resource Recvy. Rev. Bonds (Whitemarsh Cont Care), 6 1/4s, 2/1/35 | B/P | 700,000 | 736,981 |
| PA State Econ. Dev. Fin. Auth. Resource Recvy. Rev. Bonds (Northampton Generating), Ser. A, 6.6s, 1/1/19 | B+ | 4,200,000 | 4,132,086 |
| PA State Higher Edl. Fac. Auth. Rev. Bonds (Widener U.), 5.4s, 7/15/36 | BBB+ | 1,000,000 | 1,037,940 |
| (Philadelphia College of Osteopathic Medicine), 5s, 12/1/07 | A | 995,000 | 1,009,428 |
| Philadelphia, Gas Wks. Rev. Bonds (1975 Gen. Ordinance 17th), FSA, 5s, 7/1/07 | Aaa | 5,715,000 | 5,789,295 |

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MUNICIPAL BONDS AND NOTES (144.1%)* *continued*

| | Rating ** | Principal amount | Value |
|--|-----------|------------------|------------|
| Pennsylvania <i>continued</i> | | | |
| Philadelphia, Hosp. & Higher Ed. Fac. Auth. Rev. Bonds (Graduate Hlth. Syst.), 7 1/4s, 7/1/10 (In default) □ | D/P | \$ 2,729,624 | \$ 3,412 |
| Philadelphia, Redev. Auth. Rev. Bonds (Neighborhood Transformation), Ser. C, FGIC, 5s, 4/15/27 | Aaa | 5,285,000 | 5,458,137 |
| Sayre, Hlth. Care Fac. Auth. Rev. Bonds (Guthrie Hlth.), Ser. A, 5 7/8s, 12/1/31 | A- | 1,800,000 | 1,904,724 |
| | | | 26,366,316 |

South Carolina (2.4%)

| | | | |
|--|-----|-----------|-----------|
| Lexington Cnty. Hlth. Svcs. Dist. Inc. Hosp. Rev. Bonds, 5 1/2s, 5/1/37 | A2 | 1,000,000 | 1,046,020 |
| Richland Cnty., Rev. Bonds (Intl. Paper Co.), Ser. A, 4 1/4s, 10/1/07 | BBB | 2,500,000 | 2,501,950 |
| SC Hosp. Auth. Rev. Bonds (Med. U.), Ser. A, 6 1/2s, 8/15/32 (Prerefunded) | AAA | 1,250,000 | 1,427,975 |
| SC Jobs Econ. Dev. Auth. Hosp. Fac. Rev. Bonds | | | |

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| | | | |
|--|--------|------------|------------|
| (Palmetto Hlth. Alliance), Ser. A, 7 3/8s, 12/15/21 (Prerefunded) | BBB+/F | 1,000,000 | 1,162,190 |
| SC Tobacco Settlement Rev. Mgmt. Auth. Rev. Bonds, Ser. B, 6s, 5/15/22 | BBB | 1,195,000 | 1,252,754 |
| SC Tobacco Settlement Rev. Mgt. Rev. Bonds, Ser. B, 6 3/8s, 5/15/30 | BBB | 1,300,000 | 1,452,503 |
| | | | 8,843,392 |
| <hr/> | | | |
| South Dakota (0.7%) | | | |
| SD Edl. Enhancement Funding Corp. Rev. Bonds, Ser. B, 6 1/2s, 6/1/32 | BBB | 2,000,000 | 2,172,480 |
| SD Hsg. Dev. Auth. Rev. Bonds (Home Ownership Mtge.) Ser. J, 4 1/2s, 5/1/17 | AAA | 500,000 | 504,620 |
| | | | 2,677,100 |
| <hr/> | | | |
| Tennessee (5.4%) | | | |
| Johnson City, Hlth. & Edl. Fac. Board Hosp. Rev. Bonds (First Mtge. -Mountain States Hlth.), Ser. A | | | |
| 7 1/2s, 7/1/33 | BBB+ | 3,700,000 | 4,290,483 |
| MBIA, 6s, 7/1/21 | Aaa | 12,000,000 | 12,921,720 |
| Johnson City, Hlth. & Edl. Facs. Board Retirement Fac. Rev. Bonds (Appalachian Christian Village), Ser. A, 6 1/4s, 2/15/32 | BB-/P | 600,000 | 617,148 |
| Shelby Cnty., Hlth. Edl. & Hsg. Fac. Hosp. Board Rev. Bonds (Methodist Hlth. Care) | | | |
| 6 1/2s, 9/1/26 (Prerefunded) | A3 | 1,255,000 | 1,434,816 |
| 6 1/2s, 9/1/26 (Prerefunded) | A3 | 745,000 | 851,744 |
| | | | 20,115,911 |

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MUNICIPAL BONDS AND NOTES (144.1%)* *continued*

| | Rating ** | Principal amount | Value |
|---|-----------|------------------|------------|
| Texas (9.4%) | | | |
| Abilene, Hlth. Fac. Dev. Corp. Rev. Bonds (Sears Methodist Retirement), Ser. A, 7s, 11/15/33 | BB/P | \$ 600,000 | \$ 644,820 |
| Alliance, Arpt. Auth. Rev. Bonds (Federal Express Corp.) | | | |
| 6 3/8s, 4/1/21 # | Baa2 | 5,500,000 | 5,613,410 |
| 4.85s, 4/1/21 | Baa2 | 3,750,000 | 3,718,425 |
| Carrollton, Farmers Branch Indpt. School Dist. G.O. Bonds, PSFG, 5s, 2/15/17 | Aaa | 4,655,000 | 4,825,187 |

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| | | | |
|--|-------|-----------|------------|
| Fort Worth, Higher Ed. Fin. Corp. Rev. Bonds (Wesleyan U.), Ser. A, 6s, 10/1/12 | Ba2 | 550,000 | 556,925 |
| Harris Cnty., Rev. Bonds, Ser. B, FSA, 5s, 8/15/32 | Aaa | 5,500,000 | 5,771,425 |
| Harris Cnty., Hlth. Fac. Rev. Bonds (Memorial Hermann Hlth. Care), Ser. A, 6 3/8s, 6/1/29 (Prerefunded) | A2 | 3,000,000 | 3,381,330 |
| Houston, Arpt. Syst. Rev. Bonds (Continental Airlines, Inc.), Ser. C, 5.7s, 7/15/29 | B- | 2,500,000 | 2,212,825 |
| Sabine River Auth. Rev. Bonds (TXU Electric), Ser. C, 5.2s, 5/1/28 | Baa2 | 1,000,000 | 1,016,480 |
| Sam Rayburn Muni. Pwr. Agcy. Rev. Bonds, 6s, 10/1/21 | Baa2 | 2,500,000 | 2,618,825 |
| Tarrant Cnty., Cultural Ed. Fac. Fin. Corp. Rev. Bonds (Northwest Sr. Hsg. Edgemere), Ser. A, 5 3/4s, 11/15/16 | BB-/P | 300,000 | 310,782 |
| Tomball, Hosp. Auth. Rev. Bonds (Tomball Regl. Hosp.) 6s, 7/1/29 | Baa3 | 2,000,000 | 2,096,880 |
| 6s, 7/1/25 | Baa3 | 800,000 | 840,920 |
| 6s, 7/1/19 | Baa3 | 800,000 | 842,856 |
| TX State Dept. of Hsg. & Cmnty. Affairs Rev. Bonds (Single Fam.), Ser. B, FSA, 4 1/4s, 9/1/26 | Aaa | 985,000 | 980,962 |
| | | | 35,432,052 |

Utah (1.1%)

| | | | |
|---|-------|-----------|-----------|
| Carbon Cnty., Solid Waste Disp. Rev. Bonds (Laidlaw Env.), Ser. A 7 1/2s, 2/1/10 | BB- | 750,000 | 761,640 |
| 7.45s, 7/1/17 | BB-/P | 600,000 | 629,538 |
| Tooele Cnty., Harbor & Term. Dist. Port Fac. Rev. Bonds (Union Pacific), Ser. A, 5.7s, 11/1/26 | Baa2 | 1,500,000 | 1,568,010 |
| UT Cnty., Env. Impt. Rev. Bonds (Marathon Oil), 5.05s, 11/1/17 | Baa1 | 1,000,000 | 1,053,260 |
| | | | 4,012,448 |

Vermont (0.2%)

| | | | |
|--|-----|---------|---------|
| VT Hsg. Fin. Agcy. Rev. Bonds, Ser. 19A, FSA, 4.62s, 5/1/29 | Aaa | 910,000 | 918,145 |
|--|-----|---------|---------|

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MUNICIPAL BONDS AND NOTES (144.1%)* *continued*

| Rating ** | Principal amount | Value |
|-----------|------------------|-------|
|-----------|------------------|-------|

Virginia (2.6%)

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| | | | |
|--|-------|--------------|--------------|
| Clarke Cnty., Incl. Dev. Auth. Hosp. Facs. VRDN (Winchester Med. Ctr., Inc.), FSA, 3.87s, 1/1/30 | VMIG1 | \$ 2,770,000 | \$ 2,770,000 |
| Henrico Cnty., Econ. Dev. Auth. Res. Care Fac. Rev. Bonds (VA Baptist Homes), Ser. A 5 3/8s, 7/1/30 | B+/P | 500,000 | 498,955 |
| 5 1/4s, 7/1/25 | B+/P | 250,000 | 248,785 |
| Hopewell, Incl. Dev. Auth. Env. Impt. Rev. Bonds (Smurfit-Stone Container Corp.), 5 1/4s, 6/1/15 | CCC+ | 500,000 | 475,025 |
| James Cnty., Incl. Dev. Auth. Rev. Bonds (Williamsburg), Ser. A, 6 1/8s, 3/1/32 | BB-/P | 1,000,000 | 1,059,520 |
| Russell Cnty. Incl. Dev. Auth. Poll. Control Rev. Bonds (Appalachian Pwr. Co.), Ser. I, 2.7s, 11/1/07 | Baa2 | 2,000,000 | 1,984,700 |
| VA State Hsg. Dev. Auth. Rev. Bonds (Cmnwlth. Mtge.), 3.45s, 10/1/10 | Aaa | 2,300,000 | 2,233,277 |
| Winchester, Incl. Dev. Auth. Residential Care Fac. Rev. Bonds (Westminster-Canterbury), Ser. A, 5.2s, 1/1/27 | BB/P | 500,000 | 500,310 |
| | | | 9,770,572 |

Washington (2.3%)

| | | | |
|---|-----|-----------|-----------|
| King Cnty., G.O. Bonds, Ser. C, 6 1/4s, 1/1/32 | AAA | 5,000,000 | 5,179,150 |
| Tobacco Settlement Auth. of WA Rev. Bonds 6 5/8s, 6/1/32 | BBB | 2,000,000 | 2,194,120 |
| 6 1/2s, 6/1/26 | BBB | 1,200,000 | 1,306,872 |
| | | | 8,680,142 |

West Virginia (0.6%)

| | | | |
|---|----|-----------|-----------|
| Princeton, Hosp. Rev. Bonds (Cmnty. Hosp. Assn., Inc.), 6.1s, 5/1/29 | B2 | 2,250,000 | 2,236,230 |
|---|----|-----------|-----------|

Wisconsin (3.5%)

| | | | |
|--|-----|-----------|------------|
| Badger Tobacco Settlement Asset Securitization Corp. Rev. Bonds 7s, 6/1/28 | BBB | 3,000,000 | 3,312,630 |
| 6 3/8s, 6/1/32 | BBB | 4,000,000 | 4,287,160 |
| 6 1/8s, 6/1/27 | BBB | 1,000,000 | 1,056,150 |
| WI Hsg. & Econ. Dev. Auth. Rev. Bonds (Home Ownership), Ser. D, 4 7/8s, 3/1/36 | Aa2 | 500,000 | 512,580 |
| WI State Hlth. & Edl. Fac. Auth. Rev. Bonds (Wheaton Franciscan), 5 3/4s, 8/15/30 | A2 | 3,900,000 | 4,098,182 |
| | | | 13,266,702 |

Wyoming (0.2%)

| | | | |
|--|--|--|--|
| Sweetwater Cnty., Solid Waste Disp. Rev. Bonds | | | |
|--|--|--|--|

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| | | | |
|--|------|---------|----------------|
| (FMC Corp.), 5.6s, 12/1/35 | Baa3 | 700,000 | 732,711 |
| Total municipal bonds and notes (cost \$526,575,380) | | | \$ 540,893,806 |

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PREFERRED STOCKS (1.7%)*

| | Shares | | Value |
|---|-----------|----|--------------|
| Charter Mac. Equity Trust 144A Ser. A, 6.625% cum. pfd. | 2,000,000 | \$ | 2,126,100 |
| MuniMae Tax Exempt Bond Subsidiary, LLC 144A Ser. A, 6.875% cum. pfd. | 4,000,000 | | 4,281,320 |
| Total preferred stocks (cost \$6,000,000) | | | \$ 6,407,420 |

TOTAL INVESTMENTS

| | | |
|--|----|-------------|
| Total investments (cost \$532,575,380) | \$ | 547,301,226 |
|--|----|-------------|

* Percentages indicated are based on net assets of \$375,452,860.

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

[] Non-income-producing security.

[] Restricted, excluding 144A securities, as to public resale. The total market value of restricted securities held at April 30, 2006 was \$2,091,580 or 0.6% of net assets.

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

(F) Security is valued at fair value following procedures approved by the Trustees.

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

The rates shown on VRDN and Mandatory Put Bonds are the current interest rates at April 30, 2006.

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

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

| | |
|----------------|-------|
| Health care | 46.0% |
| Utilities | 22.4 |
| Transportation | 16.4 |
| Housing | 13.2 |

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

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| | |
|-------|-------|
| AMBAC | 18.6% |
| MBIA | 15.3 |

FUTURES CONTRACTS OUTSTANDING at 4/30/06 (Unaudited)

| | Number of contracts | Value | Expiration date | Unrealized appreciation |
|----------------------------------|---------------------|--------------|-----------------|-------------------------|
| U.S. Treasury Note 10 yr (Short) | 325 | \$34,312,891 | Jun-06 | \$60,325 |

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

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Statement of assets and liabilities 4/30/06 (Unaudited)

ASSETS

Investment in securities, at value (Note 1):

Unaffiliated issuers (identified cost \$532,575,380) \$547,301,226

Cash 18,644

Interest and other receivables 9,601,692

Receivable for securities sold 985,361

Total assets 557,906,923

LIABILITIES

Payable for variation margin (Note 1) 55,859

Distributions payable to shareholders 1,574,877

Accrued preferred shares distribution payable (Note 1) 226,696

Payable for securities purchased 4,260,899

Payable for shares of the fund repurchased 378,308

Payable for compensation of Manager (Note 2) 736,843

Payable for investor servicing and custodian fees (Note 2) 19,968

Payable for Trustee compensation and expenses (Note 2) 71,520

Payable for administrative services (Note 2) 15,660

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| | |
|--|---------------|
| Other accrued expenses | 113,433 |
| <hr/> | |
| Total liabilities | 7,454,063 |
| <hr/> | |
| 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 |
| <hr/> | |
| Net assets applicable to common shares outstanding | \$375,452,860 |
| <hr/> | |
| REPRESENTED BY | |
| Paid-in capital □ common shares (Unlimited shares authorized) (Note 1) | \$412,786,346 |
| <hr/> | |
| Distributions in excess of net investment income (Note 1) | (263,132) |
| <hr/> | |
| Accumulated net realized loss on investments (Note 1) | (51,856,525) |
| <hr/> | |
| Net unrealized appreciation of investments | 14,786,171 |
| <hr/> | |
| Total □ Representing net assets applicable to common shares outstanding | \$375,452,860 |
| <hr/> | |
| COMPUTATION OF NET ASSET VALUE | |
| Net asset value per common share (\$375,452,860 divided by 45,727,712 shares) | \$8.21 |

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

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Statement of operations Six months ended 4/30/06 (Unaudited)

| | |
|--|--------------|
| INTEREST INCOME | \$14,127,364 |
| <hr/> | |
| EXPENSES | |
| Compensation of Manager (Note 2) | 1,623,619 |
| <hr/> | |
| Investor servicing fees (Note 2) | 95,669 |
| <hr/> | |
| Custodian fees (Note 2) | 72,025 |
| <hr/> | |
| Trustee compensation and expenses (Note 2) | 16,303 |
| <hr/> | |
| Administrative services (Note 2) | 26,420 |
| <hr/> | |

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| | |
|---|--------------|
| Preferred share remarketing agent fees | 219,967 |
| Other | 107,283 |
| Total expenses | 2,161,286 |
| Expense reduction (Note 2) | (30,227) |
| Net expenses | 2,131,059 |
| Net investment income | 11,996,305 |
| Net realized loss on investments (Notes 1 and 3) | (2,158,803) |
| Net realized gain on futures contracts (Note 1) | 791,786 |
| Net unrealized appreciation of investments and futures contracts during the period | 888,905 |
| Net gain on investments | (478,112) |
| Net increase in net assets resulting from operations | \$11,518,193 |
| DISTRIBUTIONS TO SERIES A REMARKETED PREFERRED SHAREHOLDERS: (NOTE 1) | |
| From tax exempt income | (2,663,190) |
| From ordinary income | (9,465) |
| Net increase in net assets resulting from operations (applicable to common shareholders) | \$ 8,845,538 |

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

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Statement of changes in net assets

INCREASE (DECREASE) IN NET ASSETS

| | Six months ended 4/30/06* | Year ended 10/31/05 |
|-----------------------|------------------------------|------------------------|
| <i>Operations:</i> | | |
| Net investment income | \$ 11,996,305 | \$ 24,075,642 |

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| | | |
|---|---------------|---------------|
| Net realized loss on investments | (1,367,017) | (395,739) |
| Net unrealized appreciation of investments | 888,905 | 2,375,052 |
| Net increase in net assets resulting from operations | 11,518,193 | 26,054,955 |
| DISTRIBUTIONS TO SERIES A, B, AND C REMARKETED PREFERRED SHAREHOLDERS: (NOTE 1) | | |
| From tax exempt income | (2,663,190) | (3,870,575) |
| From ordinary income | (9,465) | (30,188) |
| Net increase in net assets resulting from operations (applicable to common shareholders) | 8,845,538 | 22,154,192 |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS: (NOTE 1) | | |
| From tax exempt income | (9,502,913) | (20,977,594) |
| From ordinary income | (56,096) | (354,033) |
| Decrease from shares repurchased (Note 5) | (10,270,198) | (458,659) |
| Total increase (decrease) in net assets | (10,983,669) | 363,906 |
| NET ASSETS | | |
| Beginning of period | 386,436,529 | 386,072,623 |
| End of period (including distributions in excess of net investment income of \$263,132 and \$27,773, respectively) | \$375,452,860 | \$386,436,529 |
| NUMBER OF FUND SHARES | | |
| Common shares outstanding at beginning of period | 47,143,198 | 47,206,343 |
| Shares repurchased (Note 5) | (1,415,486) | (63,145) |
| Common shares outstanding at end of period | 45,727,712 | 47,143,198 |
| 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)

PER-SHARE OPERATING PERFORMANCE

| | Six months ended** | | Year ended | | | |
|--|--------------------|----------|------------|----------|----------|----------|
| | 4/30/06 | 10/31/05 | 10/31/04 | 10/31/03 | 10/31/02 | 10/31/01 |
| Net asset value, beginning of period (common shares) | \$8.20 | \$8.18 | \$7.98 | \$7.84 | \$8.49 | \$8.44 |
| <i>Investment operations:</i> | | | | | | |
| Net investment income (a) | .26 | .51 | .54 | .61 | .70 | .72 |
| Net realized and unrealized gain (loss) on investments | (.01) | .04 | .20 | .14 | (.73) | .04 |
| Total from investment operations | .25 | .55 | .74 | .75 | (.03) | .76 |
| <i>Distributions to preferred shareholders:</i> | | | | | | |
| From net investment income | (.06) | (.08) | (.04) | (.04) | (.05) | (.12) |
| Total from investment operations (applicable to common shareholders) | .19 | .47 | .70 | .71 | (.08) | .64 |
| <i>Distributions to common shareholders:</i> | | | | | | |
| From net investment income | (.21) | (.45) | (.50) | (.57) | (.57) | (.59) |
| Total distributions | (.21) | (.45) | (.50) | (.57) | (.57) | (.59) |
| Increase from shares repurchased | .03 | □ (e) | □ | □ | □ | □ |
| Net asset value, end of period (common shares) | \$8.21 | \$8.20 | \$8.18 | \$7.98 | \$7.84 | \$8.49 |
| Market price, end of period (common shares) | \$7.22 | \$7.15 | \$7.29 | \$7.34 | \$7.43 | \$8.44 |

| | | | | | | |
|---|-------|------|------|------|--------|--------|
| Total return at market price (%) (common shares) (b) | 3.86* | 4.21 | 6.35 | 6.44 | (5.57) | (6.21) |
|---|-------|------|------|------|--------|--------|

RATIOS AND SUPPLEMENTAL DATA

| | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Net assets, end of period (common shares) (in thousands) | \$375,453 | \$386,437 | \$386,073 | \$376,865 | \$370,281 | \$400,255 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|

| | | | | | | |
|---|------|------|------|------|------|------|
| Ratio of expenses to average net assets %(c,d) | .56* | 1.30 | 1.28 | 1.27 | 1.25 | 1.22 |
|---|------|------|------|------|------|------|

| | | | | | | |
|--|-------|------|------|------|------|------|
| Ratio of net investment income to average net assets %(c) | 2.44* | 5.18 | 6.12 | 7.21 | 7.84 | 7.01 |
|--|-------|------|------|------|------|------|

| | | | | | | |
|------------------------|-------|-------|-------|-------|-------|-------|
| Portfolio turnover (%) | 8.97* | 21.87 | 25.54 | 40.82 | 20.44 | 17.95 |
|------------------------|-------|-------|-------|-------|-------|-------|

* Not annualized.

** Unaudited.

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

(b) Total return assumes dividend reinvestment.

(c) 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).

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

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

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Notes to financial statements 4/30/06 (Unaudited)

Note 1: Significant accounting policies

Putnam Managed Municipal Income Trust (the "fund"), a Massachusetts business trust, is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company. 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 60% 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.

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

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

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

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

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

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

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

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received is recorded as an addition to sales proceeds. If a written put option is exercised, the premium originally received is recorded as a reduction to the cost of investments.

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

D) Federal taxes It is the policy of the fund to distribute all of its income within the prescribed time and otherwise comply with the provisions of the Internal Revenue Code of 1986 (the "Code") applicable to regulated investment companies. It is also the intention of the fund to distribute an amount sufficient to avoid imposition of any excise

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tax under Section 4982 of the Code, as amended. Therefore, no provision has been made for federal taxes on income, capital gains or unrealized appreciation on securities held nor for excise tax on income and capital gains.

At October 31, 2005, the fund had a capital loss carryover of \$47,831,350 available to the extent allowed by the Code to offset future net capital gain, if any. The amount of the carryover and the expiration dates are:

| Loss Carryover | Expiration |
|----------------|------------------|
| \$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 |
| 25,837,158 | October 31, 2011 |
| 8,560,869 | October 31, 2012 |
| 300,619 | October 31, 2013 |

The aggregate identified cost on a tax basis is \$532,015,195, resulting in gross unrealized appreciation and depreciation of \$20,592,383 and \$5,306,352, respectively, or net unrealized appreciation of \$15,286,031.

E) Distributions to shareholders Distributions to common and preferred shareholders from net investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. Dividends on remarketed preferred shares become payable when, as and if declared by the Trustees. Each dividend period for the remarketed preferred shares is generally a 28-day period for Series A and Series B shares, and a 7-day period for Series C shares. The applicable dividend rate for the remarketed preferred shares on April 30, 2006 was 3.36% for Series A, 3.31% for Series B and 3.70% 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. 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. 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.

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

Note 2: Management fee, administrative services and other transactions

Putnam Management is paid for management and investment advisory services quarterly based on the average weekly net assets of the fund. Such fee is based on the lesser of (i) an annual rate of 0.55% of the average weekly net assets of the fund attributable to common and preferred shares outstanding or (ii) the following annual rates expressed as a percentage of the fund's average weekly net assets attributable to common and preferred shares

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outstanding: 0.65% of the first \$500 million and 0.55% of the next \$500 million, with additional breakpoints at higher asset levels.

Prior to January 1, 2006, the fund's management fee was based on the following annual rates: 0.70% of the first \$500 million of the average weekly net assets attributable to common and preferred shares outstanding and 0.60% of the next \$500 million, with additional breakpoints at higher asset levels.

If dividends payable on remarketed preferred shares during any dividend payment period plus any expenses attributable to remarketed preferred shares for that period exceed the fund's gross income attributable to the proceeds of the remarketed preferred shares during that period, then the fee payable to Putnam Management for that period will be reduced by the amount of the excess (but not more than the effective management fee rate under the contract multiplied by the liquidation preference of the remarketed preferred shares outstanding during the period). The fund reimburses Putnam Management an allocated amount for the compensation and related expenses of certain officers of the fund and their staff who provide administrative services to the fund. The aggregate amount of all such reimbursements is determined annually by the Trustees.

Custodial functions for the fund's assets are provided by Putnam Fiduciary Trust Company ("PFTC"), a subsidiary of Putnam, LLC. PFTC receives fees for custody services based on the fund's asset level, the number of its security holdings and transaction volumes. Putnam Investor Services, a division of PFTC, provides investor servicing agent functions to the fund. Putnam Investor Services is paid a monthly fee for investor servicing at an annual rate of 0.05% of the fund's average net assets. During the period ended April 30, 2006, the fund incurred \$167,694 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, 2006, the fund's expenses were reduced by \$30,227 under these arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$313, as a quarterly retainer, has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees receive additional fees for attendance at certain committee meetings, industry seminars and for certain compliance-related matters. Trustees also are reimbursed for expenses they incur relating to their services as Trustees. George Putnam, III, who is not an independent Trustee, also receives the foregoing fees for his services as Trustee.

The fund has adopted a Trustee Fee Deferral Plan (the "Deferral Plan") which allows the Trustees to defer the receipt of all or a portion of Trustees fees payable on or after July 1, 1995. The deferred

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fees remain invested in certain Putnam funds until distribution in accordance with the Deferral Plan.

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

Note 3: Purchases and sales of securities

During the six months ended April 30, 2006, cost of purchases and proceeds from sales of investment securities other than short-term investments aggregated \$47,436,862 and \$54,439,942, 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 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.

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

Note 5: Share repurchase program

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

For the period ended April 30, 2006, the fund repurchased 1,415,486 common shares for an aggregate purchase price of \$10,270,198 which reflects a weighted-average discount from net asset value per share of 12.0% .

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Note 6: Regulatory matters and litigation

Putnam Management has entered into agreements with the Securities and Exchange Commission and the Massachusetts Securities Division settling charges connected with excessive short-term trading by Putnam employees and, in the case of the charges brought by the Massachusetts Securities Division, by participants in some Putnam-administered 401(k) plans. Pursuant to these settlement agreements, Putnam Management will pay a total of \$193.5 million in penalties and restitution, with \$153.5 million being paid to certain open-end funds and their shareholders. The amount will be allocated to shareholders and funds pursuant to a plan developed by an independent consultant, and will be paid following approval of the plan by the SEC and the Massachusetts Securities Division.

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

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

Fund information

About Putnam Investments

Founded over 65 years ago, Putnam Investments was built around the concept that a balance between risk and reward is the hallmark of a well-rounded financial program. We manage over 100 mutual funds in growth, value, blend, fixed income, and international.

| | | |
|---|---|--|
| Investment Manager | Officers | James P. Pappas |
| Putnam Investment Management, LLC | George Putnam, III <i>President</i> | <i>Vice President</i> |
| One Post Office Square Boston, MA 02109 | Charles E. Porter <i>Executive Vice President,</i> <i>Associate Treasurer and</i> <i>Principal Executive Officer</i> | Richard S. Robie, III <i>Vice President</i> |
| Marketing Services Putnam Retail Management One Post Office Square Boston, MA 02109 | Jonathan S. Horwitz <i>Senior Vice President</i> <i>and Treasurer</i> | Francis J. McNamara, III <i>Vice President and</i> <i>Chief Legal Officer</i> |
| Custodian Putnam Fiduciary Trust Company | Steven D. Krichmar <i>Vice President and</i> <i>Principal Financial Officer</i> | Charles A. Ruys de Perez <i>Vice President and</i> <i>Chief Compliance Officer</i> |
| Legal Counsel Ropes & Gray LLP | Michael T. Healy <i>Assistant Treasurer and</i> <i>Principal Accounting Officer</i> | Mark C. Trenchard <i>Vice President and</i> <i>BSA Compliance Officer</i> |
| Trustees John A. Hill, <i>Chairman</i> Jameson Adkins Baxter, <i>Vice Chairman</i> Charles B. Curtis Myra R. Drucker Charles E. Haldeman, Jr. Paul L. Joskow Elizabeth T. Kennan John H. Mullin, III Robert E. Patterson George Putnam, III W. Thomas Stephens Richard B. Worley | Daniel T. Gallagher <i>Senior Vice President,</i> <i>Staff Counsel and</i> <i>Compliance Liaison</i> | Judith Cohen <i>Vice President, Clerk and</i> <i>Assistant Treasurer</i> |
| | Beth S. Mazor <i>Vice President</i> | Wanda M. McManus <i>Vice President, Senior Associate</i> <i>Treasurer and Assistant Clerk</i> |
| | | Nancy E. Florek <i>Vice President, Assistant Clerk,</i> <i>Assistant Treasurer and</i> <i>Proxy Manager</i> |

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

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Item 2. Code of Ethics:

Not Applicable

Item 3. Audit Committee Financial Expert:

Not Applicable

Item 4. Principal Accountant Fees and Services:

Not Applicable

Item 5. Audit Committee

Not Applicable

Item 6. Schedule of Investments:

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

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

Not applicable

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

(a) Not applicable

(b) Not applicable

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

Registrant Purchase of Equity Securities

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

November 1,

2005 □ November

| | | | | |
|--------------------------------------|----------------|---------------|----------------|------------------|
| 30, 2005 | 236,031 | \$7.06 | 236,031 | 4,484,603 |
| December 1 - December 31, 2005 | 236,031 | \$7.07 | 236,031 | 4,248,572 |
| January 1 - January 31, | 236,031 | \$7.33 | 236,031 | 4,012,541 |

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| | | | | |
|--------------------------------------|----------------|---------------|----------------|------------------|
| February 1 - February 28, 2006 | 218,481 | \$7.45 | 218,481 | 3,794,060 |
| March 1 - March 31, 2006 | 296,770 | \$7.38 | 296,770 | 3,497,290 |
| April 1 - April 30, 2006 | 192,142 | \$7.23 | 192,142 | 3,305,148 |

The Board of Trustees announced a repurchase plan on October 7, 2005 for which **2,360,317** shares were approved for repurchase by the fund. The repurchase plan was approved through October 6, 2006. . On March 10, 2006, the Trustees announced that the repurchase program was increased to allow repurchases of up to a total of 4,720,634 shares over the original term of the program

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

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

Not applicable

Item 11. Controls and Procedures:

(a) The registrant's principal executive officer and principal financial officer have concluded, based on their evaluation of the effectiveness of the design and operation of the registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report, that the design and operation of such procedures are generally effective to provide reasonable assurance that information required to be disclosed by the registrant in this report is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

(b) Changes in internal control over financial reporting:

Not applicable

Item 12. Exhibits:

(a)(1) Not applicable

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

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

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SIGNATURES

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

Putnam Managed Municipal Income Trust

By (Signature and Title):

/s/Michael T. Healy

Michael T. Healy

Principal Accounting Officer

Date: June 28, 2006

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

By (Signature and Title):

/s/Charles E. Porter

Charles E. Porter

Principal Executive Officer

Date: June 28, 2006

By (Signature and Title):

/s/Steven D. Krichmar

Steven D. Krichmar

Principal Financial Officer

Date: June 28, 2006
