

PUTNAM MANAGED HIGH YIELD TRUST

Form N-CSR

January 28, 2005

Putnam  
Managed  
High Yield  
Trust

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

SEMIANNUAL REPORT ON PERFORMANCE AND OUTLOOK

11-30-04

[GRAPHIC OMITTED: WATCH]

[SCALE LOGO OMITTED]

From the Trustees

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

John A. Hill and  
George Putnam, III

Dear Fellow Shareholder:

During the past several months, Putnam has introduced a number of reforms for the benefit of shareholders, including increasing the amount of disclosure for our funds. We are now including additional information about your fund's management team. Following the Outlook for Your Fund, we list any changes in your fund's Portfolio Leader and Portfolio Members during the prior year period, as well as the current Portfolio Leader's and Portfolio Members' other fund management responsibilities at Putnam. We also show how much these individuals have invested in the fund (in dollar ranges). Fund ownership (in dollar ranges) is also being shown for the members of Putnam's Executive Board.

We are also pleased to announce that three new Trustees have joined your fund's Board of Trustees. Nominated by your fund's independent Trustees, these individuals have had outstanding careers as leaders in the investment management industry. Myra R. Drucker is a Vice Chair of the Board of Trustees of Sarah Lawrence College and serves as Chair of the New York Stock Exchange (NYSE) Pension Managers Advisory Committee and as a Trustee of Commonfund, a not-for-profit asset management firm. Richard B. Worley is Managing Partner of Permit Capital LLC, an investment management firm. Both Ms. Drucker and Mr. Worley are independent Trustees (i.e., Trustees who are not "interested persons" of your fund or its investment advisor). Charles E. Haldeman, Jr., the third new Trustee, is President and Chief Executive Officer of Putnam Investments.

During the period covered by the following report, Putnam Managed High Yield Trust delivered respectable results. In the following pages, the fund managers discuss fund performance, strategy, and their outlook for fiscal 2005.

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We thank you for your support of the Putnam funds throughout 2004 and wish you all the best in 2005.

Respectfully yours,

/S/ JOHN A. HILL

/S/ GEORGE PUTNAM, III

John A. Hill  
Chairman of the Trustees

George Putnam, III  
President of the Funds

January 19, 2005

Report from Fund Management

Fund highlights

- \* For the six months ended November 30, 2004, Putnam Managed High Yield Trust had total returns of 9.27% at net asset value (NAV) and 9.87% at market price.
- \* The fund's primary benchmark, the JP Morgan Developed High Yield Index, returned 8.75% for the same period.
- \* The average return for the fund's Lipper category, High Current Yield Funds (closed-end), was 9.91%.
- \* The fund's monthly dividend was reduced to \$0.049 per share, effective December 2004. See page 5 for more information.
- \* See the Performance Summary beginning on page 9 for complete fund performance, comparative performance, and Lipper data.

Performance commentary

During the past six months, your fund benefited from a continuation of the positive environment for high-yield bonds that has existed for the past several years. As the period began, the bond market as a whole was volatile due to reports of stronger growth and the increased likelihood that the Federal Reserve Board would raise interest rates. However, as the period progressed, high-yield bonds led the market. Fund management's successful security selection and emphasis on the strong-performing, lower-quality portion of the market enabled the fund to outperform its benchmark index. Although the fund underperformed its Lipper peer group average, comparisons in this category can be misleading because it contains only eight funds, some of which use leverage to boost returns. 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 investment or 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.

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TOTAL RETURN FOR  
PERIODS ENDED 11/30/04  
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		Market
(inception 6/25/93)	NAV	price

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6 months	9.27%	9.87%
-----		
1 year	12.73	9.03
-----		
5 years	28.11	19.43
Annual average	5.08	3.61
-----		
10 years	97.03	91.98
Annual average	7.02	6.74
-----		
Annual average (life of fund)	6.33	4.76
-----		

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.

### FUND PROFILE

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

### Market overview

Over the past six months, high-yield bonds benefited from continued economic growth and declining default rates. The economy's strength was not always apparent, however, and stock and bond investors tended to overreact to economic news both positively and negatively. The high-yield market's strong performance has reflected investors' generally positive assessment of the creditworthiness of high-yield issuers. After default rates peaked in January 2002, overall credit quality for high-yield bonds steadily improved. This improved quality has been illustrated by the continued narrowing in the credit yield spread, which is the yield difference between high-yield bonds and Treasuries.

The fund's fiscal year began on a difficult note, as strong employment gains in the prior month caused a sharp sell-off in all sectors of the bond market, including high yield. Bond investors soon regained their optimism, however, and yields across the board began a steady decline that lasted through the end of the period. High-yield bonds were particularly appealing to investors because of the higher income they pay, and the continued financial improvement among many issuers. Demand for high-yield bonds remained strong throughout the period, driven both by money coming into the market as well as by reinvestment needs created by bonds being called, tendered, and upgraded. New issuance, while active, was not able to fully satisfy the demand for high-yield bonds.

### ----- MARKET SECTOR PERFORMANCE 6 MONTHS ENDED 11/30/04 -----

#### Bonds -----

JP Morgan Developed High Yield Index (global high-yield corporate bonds)

8.75%

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Lehman Aggregate Bond Index (broad bond market)	3.82%
Lehman GNMA Index (Government National Mortgage Association bonds)	3.91%
Citigroup World Government Bond Index (global government bonds)	10.40%
Equities	
S&P 500 Index (broad stock market)	5.68%
Russell 2000 Index (stocks of small and midsize companies)	12.18%
MSCI EAFE Index (international stocks)	12.58%

These indexes provide an overview of performance in different market sectors for the six months ended 11/30/04.

### Strategy overview

During the six-month period, we continued to seek bonds from a variety of sectors in our efforts to enhance the fund's performance while managing its risk exposure. Throughout much of fiscal 2003, we had increased the fund's holdings of bonds that were in the lower-quality portion of the market -- namely, those with CCC ratings. However, although the fund remains overweighted in these securities relative to its benchmark index, we have reduced this overweight because prices had increased significantly. This reduction process began during the summer months and continued through period-end.

Our allocation to the lower-rated portion of the market has provided significant benefits to the fund. First, with the strengthening of the economy, companies that issued lower-quality bonds were seeing improvements in their businesses, reducing the risk that they would be unable to make interest payments on their debt. As the business prospects and financial results of these companies have improved with the growing economy, their bonds have appreciated in price. Secondly, with interest rates in the high-yield market having declined over the past several years, we felt that the higher yields provided by the lower-rated segment of the market would attract investors, bolster demand for these securities, and contribute strongly to overall returns -- which, in fact, is what occurred during the period. Finally, higher-yielding, lower-quality bonds are typically less sensitive to interest-rate changes, which we feel positions the fund appropriately for any potential sharp rate increases in the future.

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

### TOP SECTOR WEIGHTINGS COMPARED

	as of 5/31/04	as of 11/30/04
Utilities and power	8.2%	7.5%
Chemicals	5.9%	6.5%
Telecommunications	5.6%	4.9%

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Publishing	3.8%	4.7%
Gaming and lottery	5.5%	4.3%

### Footnote reads:

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

### How fund holdings affected performance

As part of our team approach to managing the portfolio, we employed significant research resources to find bonds that we believed would add as much value as possible, while remaining mindful of credit risk. In the utilities and power sector, which generally performed well for the fund as the sector continued to recover from its previous overexpansion, securities issued by Edison Mission Energy, a subsidiary of Edison International, were among the fund's strongest performers. Edison, which owns California's second-largest electric utility, Southern California Edison, also owns Edison Mission Energy. After poor performance in 2002, the company sold assets and shored up its balance sheet, which drove strong returns for a number of Edison Mission securities. El Paso Corporation, a pipeline and exploration and production company, made a positive contribution. Finally, Williams Companies, a large natural gas company serving the northwestern United States, California, Rocky Mountain, Gulf Coast, and Eastern Seaboard markets, performed well on significant increases in natural gas prices. The company also benefited from management's focus on balance sheet improvements, which involved focusing on core pipeline business, selling nonproductive assets, and paying down debt. In the communications services sector, which experienced a recovery, Qwest Communications performed well. Qwest, which owns U.S. West, benefited from increases in DSL subscriptions and successful cost-cutting efforts.

[GRAPHIC OMITTED: TOP HOLDINGS]

### TOP HOLDINGS

(Percent of fund's net assets as of 11/30/04)

- 1 Dow Jones CDX HY  
144A 7 3/4s, 2009 (3.5%)  
Pass-through certificates  
Other
- 2 PSF Group Holdings, Inc. (1.2%)  
144A Class A common stock  
Food
- 3 Qwest Corp. (0.8%)  
144A notes 9 1/8s, 2012  
Communications services
- 4 NRG Energy, Inc. (0.7%)  
144A sr. sec. notes 8s, 2013  
Utilities and power
- 5 Canada, Inc. (Canada) (0.6%)  
144A sr. sub. notes 8s, 2012  
Publishing

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- 6 Qwest Communications International, Inc. (0.6%)  
144A sr. notes 7 1/2s, 2014  
Communications services
- 7 DPL, Inc. (0.6%)  
Bonds 8 1/8s, 2031  
Utilities and power
- 8 Crown Holdings SA (France) (0.5%)  
Notes 10 7/8s, 2013  
Capital goods
- 9 AEP Industries, Inc. (0.5%)  
Sr. sub. notes 9 7/8s, 2007  
Capital goods
- 10 THL Buildco, Inc. (Nortek, Inc.) (0.5%)  
144A sr. sub. notes 8 1/2s, 2014  
Building materials

### Footnote reads:

The fund's holdings will change over time.

Among the detractors from performance during the period were securities issued by Icon Health & Fitness, which manufactures equipment for the fitness industry, and Paxson Communications, a large broadcast television station group and owner of PAX TV, a television channel that reaches households via broadcast, cable, and satellite networks. Icon had disappointing financial results due to higher steel costs and weak sales in some product lines, while Paxson had poor results as hoped-for asset sales did not transpire. We continue to hold Icon and Paxson because we believed as of the end of the period that the holdings were appropriately valued.

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

### OF SPECIAL INTEREST

Within the high-yield universe, yields are 120 basis points lower than a year ago. As a result, your fund's monthly dividend was reduced, effective with the December 2004 payment, from \$0.054 per share to \$0.049 per share. Putnam Managed High Yield Trust has paid a consistently strong dividend. This adjustment keeps the fund in line with yields on other similar funds, as the portfolio tries to balance yield with overall credit quality.

### The outlook for your fund

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

The fund's returns during the past six months remained significantly higher than the historical averages for the high-yield market. Economic conditions, though somewhat variable over the past year, have remained generally favorable, with low inflation and moderate growth. While this

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positive environment could continue into 2005, we have become more cautious for several reasons. First, we believe the high cost of energy, driven at least in part by geopolitical turmoil, may act like a tax on both businesses and consumers, reducing the incentive and the ability for both to continue spending. Additionally, performance has been strong for high-yield bonds for the past few years and, as a result, yields are relatively low (because bond yields move in the opposite direction of bond prices). Moreover, credit yield spreads -- the difference between lower- and higher-quality bond yields -- have narrowed a great deal, and this narrowing is another sign that the market may be close to being fully valued. We therefore believe it is unlikely that high-yield bond prices will move significantly higher (and yields lower) from their current levels. We also feel that default rates will likely reach a trough in 2005, which will probably slow the momentum that high-yield bonds have enjoyed over the past few years. That being said, we do not foresee difficult times ahead for this sector in the coming year, as companies remain healthy and cash flows strong. As always, we will monitor economic and market events and make adjustments to the portfolio that we deem necessary.

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

### Your fund's management

Your fund is managed by the members of the Putnam Core Fixed-Income High-Yield Team. Stephen Peacher is the Portfolio Leader and Paul Scanlon and Rosemary Thomsen 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 Core Fixed-Income High-Yield Team, including those who are not Portfolio Leaders or Portfolio Members of your fund, visit Putnam's Individual Investor Web site at [www.putnaminvestments.com](http://www.putnaminvestments.com).

### Fund ownership

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 for the current and prior year ended November 30.

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#### FUND PORTFOLIO LEADER AND PORTFOLIO MEMBERS

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	Year	\$0	\$1 - \$10,000	\$10,001 - \$50,000	\$50,001- \$100,000	\$100,001 - \$500,000	\$500,001 - \$1,000,000
Stephen Peacher	2004		*				
Portfolio Leader	2003			*			

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Paul Scanlon	2004	*
Portfolio Member	2003	*
Rosemary Thomsen	2004	*
Portfolio Member	2003	*

Other funds managed by the Portfolio Leader and Portfolio Members

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

Paul Scanlon and Rosemary Thomsen are also Portfolio Members of Putnam High Yield Advantage Fund and Putnam High Yield Trust.

Stephen Peacher, Paul Scanlon, and Rosemary Thomsen may also manage other accounts advised by Putnam Management or an affiliate.

Changes in your fund's Portfolio Leader and Portfolio Members

During the six months ended November 30, 2004, Portfolio Member Norman Boucher left your fund's management team for another position at Putnam.

Fund ownership

The table below shows how much the members of Putnam's Executive Board have invested in the fund (in dollar ranges). Information shown is for the current and prior year ended December 31.

### PUTNAM EXECUTIVE BOARD

	Year	\$0	\$1 - \$10,000	\$10,001 - \$50,000	\$50,001- \$100,000	\$100,001 and over
Philippe Bibi	2004	*				
Chief Technology Officer	2003	*				
John Boneparth	2004	*				
Head of Global Institutional Mgmt	2003	*				
Kevin Cronin	2004	*				
Deputy Head of Investments	N/A					
Charles Haldeman, Jr.	2004		*			
President and CEO	2003	*				
Amrit Kanwal	2004	*				



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Chief Financial Officer	N/A	
Steven Krichmar	2004	*
Chief of Operations	N/A	
Francis McNamara, III	2004	*
General Counsel	N/A	
Richard Monaghan	2004	*
Head of Retail Management	2003	*
Stephen Oristaglio	2004	*
Head of Investments	2003	*
Richard Robie, III	2004	*
Chief Administrative Officer	N/A	

N/A indicates the individual was not a member of Putnam's Executive Board as of 12/31/03.

### Performance summary

This section shows your fund's performance during the first half of its fiscal year, which ended November 30, 2004. In accordance with regulatory requirements, we also include performance for the most current calendar quarter-end. Performance should always be considered in light of a fund's investment strategy. Data represents past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return, net asset value, and market price will fluctuate and you may have a gain or a loss when you sell your shares.

### TOTAL RETURN FOR PERIODS ENDED 11/30/04

	NAV	Market price	JP Morgan Developed High Yield Index*	Lipper High Current Yield Funds (closed-end) category average+
6 months	9.27%	9.87%	8.75%	9.91%
1 year	12.73	9.03	12.28	13.53
5 years	28.11	19.43	42.28	30.18
Annual average	5.08	3.61	7.31	5.30
10 years	97.03	91.98	--	106.72
Annual average	7.02	6.74	--	7.44

Life of fund

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(since 6/25/93)  
 Annual average                      6.33              4.76              --              7.05

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.

\* This index began operations on 12/31/94.

+ Over the 6-month and 1-, 5-, and 10-year periods ended 11/30/04, there were 8, 8, 4, and 4 funds, respectively, in this Lipper category.

### PRICE AND DISTRIBUTION INFORMATION 6 MONTHS ENDED 11/30/04

Distributions (number)	6	
Income	\$0.324	
Capital gains	--	
Total	\$0.324	
Share value:	NAV	Market price
5/31/04	\$8.82	\$7.92
11/30/04	9.27	8.37
Current return (end of period)		
Current dividend rate 1	6.99%	7.74%

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

### TOTAL RETURN FOR PERIODS ENDED 12/31/04 (MOST RECENT CALENDAR QUARTER)

	NAV	Market price
6 months	9.25%	10.76%
1 year	11.29	3.98
5 years	27.54	35.21
Annual average	4.99	6.22
10 years	98.31	89.04
Annual average	7.09	6.58
Life of fund (since 6/25/93)		
Annual average	6.41	4.77

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### Terms and definitions

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

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

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

### Comparative indexes

Citigroup World Government Bond Index is an unmanaged index of government bonds from 14 countries.

JP Morgan Developed High Yield Index is an unmanaged index used to mirror the investable universe of the U.S. dollar global high-yield corporate debt market of developed markets.

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

Lehman GNMA Index is an unmanaged index of Government National Mortgage Association bonds.

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

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

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

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

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

### A note about duplicate mailings

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

### Proxy voting

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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, 2004, are available on the Putnam Individual Investor Web site, [www.putnaminvestments.com/individual](http://www.putnaminvestments.com/individual), and on the SEC's Web site, [www.sec.gov](http://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

For periods ending on or after July 9, 2004, 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](http://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.

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

#### Corporate bonds and notes (91.7%) (a)

Principal amount	Value
------------------	-------

#### Advertising and Marketing Services (0.2%)

\$100,000 Lamar Media Corp. company guaranty 7 1/4s, 2013	\$108,000
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#### Automotive (2.0%)

50,000 ArvinMeritor, Inc. notes 8 3/4s, 2012	56,375
30,000 Dana Corp. notes 10 1/8s, 2010	33,900
225,000 Dana Corp. notes 9s, 2011	272,250
15,000 Dana Corp. notes 7s, 2029	15,000
40,000 Delco Remy International, Inc. company guaranty 11s, 2009	42,200
205,000 Delco Remy International, Inc. sr. sub. notes 9 3/8s, 2012	210,125
30,000 Dura Operating Corp. company guaranty Ser. B, 8 5/8s, 2012	30,525
150,000 Lear Corp. company guaranty Ser. B, 8.11s, 2009	169,677
115,000 Meritor Automotive, Inc. notes 6.8s, 2009	118,163
95,000 Metaldyne Corp. 144A sr. notes 10s, 2013	92,150
EUR 20,000 Teksid Aluminum 144A company guaranty 11 3/8s, 2011 (Luxembourg)	25,183
\$70,000 Tenneco Automotive, Inc. company guaranty Ser. B, 11 5/8s, 2009	74,312
130,000 Tenneco Automotive, Inc. sec. notes Ser. B, 10 1/4s, 2013	153,075
100,000 Tenneco Automotive, Inc. 144A sr. sub. notes 8 5/8s, 2014	104,000

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1,396,935

Beverage (0.1%)

45,000	Constellation Brands, Inc. company guaranty Ser. B, 8s, 2008	49,275
45,000	Constellation Brands, Inc. sr. sub. notes Ser. B, 8 1/8s, 2012	48,938
		----- 98,213

Broadcasting (3.0%)

210,000	British Sky Broadcasting PLC company guaranty 6 7/8s, 2009 (United Kingdom)	229,624
300,000	DirecTV Holdings, LLC sr. notes 8 3/8s, 2013	336,750
440,000	Diva Systems Corp. sr. disc. notes Ser. B, 12 5/8s, 2008 (In default) (NON)	1,925
235,000	Echostar DBS Corp. sr. notes 6 3/8s, 2011	240,288
165,000	Echostar DBS Corp. 144A company guaranty 6 5/8s, 2014	168,300
370,000	Granite Broadcasting Corp. sec. notes 9 3/4s, 2010	347,800
105,000	Gray Television, Inc. company guaranty 9 1/4s, 2011	118,125
6,090	Knology, Inc. 144A sr. notes 12s, 2009 (PIK)	5,877
155,000	Rainbow National Services, LLC 144A sr. notes 8 3/4s, 2012	163,913
60,000	Sinclair Broadcast Group, Inc. company guaranty 8 3/4s, 2011	64,500
301,000	Young Broadcasting, Inc. company guaranty 10s, 2011	319,813
65,000	Young Broadcasting, Inc. sr. sub. notes 8 3/4s, 2014	63,863
		----- 2,060,778

Building Materials (0.9%)

60,000	Building Materials Corp. company guaranty 8s, 2008	62,100
95,000	Dayton Superior Corp. sec. notes 10 3/4s, 2008	103,550
5,000	Owens Corning bonds 7 1/2s, 2018 (In default) (NON)	3,925
120,000	Owens Corning notes 7 1/2s, 2005 (In default) (NON)	94,200
350,000	THL Buildco, Inc. (Nortek, Inc.) 144A sr. sub. notes 8 1/2s, 2014	376,250
		----- 640,025

Cable Television (3.0%)

10,000	Adelphia Communications Corp. notes Ser. B, 9 7/8s, 2005 (In default)
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	(NON)	8,975
20,000	Adelphia Communications Corp. sr. notes 10 7/8s, 2010 (In default) (NON)	18,650
90,000	Adelphia Communications Corp. sr. notes 10 1/4s, 2011 (In default) (NON)	87,525
5,000	Adelphia Communications Corp. sr. notes 10 1/4s, 2006 (In default) (NON)	4,538
5,000	Adelphia Communications Corp. sr. notes 9 3/8s, 2009 (In default) (NON)	4,663
40,000	Adelphia Communications Corp. sr. notes Ser. B, 9 7/8s, 2007 (In default) (NON)	35,900
80,000	Atlantic Broadband Finance, LLC 144A sr. sub. notes 9 3/8s, 2014	76,800
195,000	Cablevision Systems Corp. 144A sr. notes 8s, 2012	207,675
70,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (12 1/8s, 1/15/07), 2012 (STP)	43,050
35,000	Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (11 3/4s, 5/15/06), 2011 (STP)	23,888
90,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 11 1/8s, 2011	77,400
200,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 3/4s, 2009	173,000
75,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 1/4s, 2010	63,000
265,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 10s, 2011	218,625
200,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 9 5/8s, 2009	166,000
20,000	Charter Communications Holdings, LLC/Capital Corp. sr. notes 8 5/8s, 2009	16,600
75,000	CSC Holdings, Inc. debs. 7 5/8s, 2018	79,125
80,000	CSC Holdings, Inc. sr. notes Ser. B, 7 5/8s, 2011	85,600
155,000	CSC Holdings, Inc. 144A sr. notes 6 3/4s, 2012	158,100
270,000	Kabel Deutschland GmbH 144A sr. notes 10 5/8s, 2014 (Germany)	310,500
30,000	Quebecor Media, Inc. sr. disc. notes stepped-coupon zero % (13 3/4s, 7/15/06), 2011 (Canada) (STP)	29,550
155,000	Quebecor Media, Inc. sr. notes 11 1/8s, 2011 (Canada)	177,863
50,000	Videotron Ltee company guaranty 6 7/8s, 2014 (Canada)	51,625
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2,118,652

Capital Goods (9.1%)

	370,000	AEP Industries, Inc. sr. sub. notes 9 7/8s, 2007	376,475
	221,742	Air2 US 144A sinking fund Ser. D, 12.266s, 2020 (In default) (NON) (F)	2
	240,000	Allied Waste North America, Inc. company guaranty Ser. B, 8 1/2s, 2008	252,300
	330,000	Allied Waste North America, Inc. company guaranty Ser. B, 7 5/8s, 2006	339,075
	30,000	Allied Waste North America, Inc. sec. notes 6 1/2s, 2010	28,950
	65,000	Amsted Industries, Inc. 144A sr. notes 10 1/4s, 2011	71,500
	320,000	Argo-Tech Corp. sr. notes 9 1/4s, 2011	349,600
	35,000	BE Aerospace, Inc. sr. notes 8 1/2s, 2010	38,325
	345,000	BE Aerospace, Inc. sr. sub. notes Ser. B, 8s, 2008	343,275
	15,000	Berry Plastics Corp. company guaranty 10 3/4s, 2012	17,325
	125,000	Blount, Inc. sr. sub. notes 8 7/8s, 2012	135,625
	110,000	Browning-Ferris Industries, Inc. debs. 7.4s, 2035	94,600
	145,000	Browning-Ferris Industries, Inc. sr. notes 6 3/8s, 2008	142,463
EUR	15,000	Crown Holdings SA bonds 10 1/4s, 2011 (France)	22,924
	\$320,000	Crown Holdings SA notes 10 7/8s, 2013 (France)	378,400
	70,000	Crown Holdings SA notes 9 1/2s, 2011 (France)	79,275
	476,000	Decrane Aircraft Holdings Co. company guaranty zero %, 2008	180,880
	120,000	Earle M. Jorgensen Co. sec. notes 9 3/4s, 2012	135,000
EUR	60,000	Flender Holdings 144A sr. notes 11s, 2010 (Germany)	94,804
	\$93,000	Flowserve Corp. company guaranty 12 1/4s, 2010	104,160
	25,000	Hexcel Corp. sr. sub. notes 9 3/4s, 2009	26,188
	130,000	Invensys, PLC notes 9 7/8s, 2011 (United Kingdom)	140,075
	45,000	K&F Acquisitions, Inc. 144A sr. sub. notes 7 3/4s, 2014	46,013
	325,000	L-3 Communications Corp. company guaranty 6 1/8s, 2013	334,750
	310,000	Legrand SA debs. 8 1/2s, 2025 (France)	359,600
	140,000	Manitowoc Co., Inc. (The) company guaranty 10 1/2s, 2012	161,000
EUR	25,000	Manitowoc Co., Inc. (The) company guaranty 10 3/8s, 2011	37,226
	\$290,000	Manitowoc Co., Inc. (The) sr. notes 7 1/8s, 2013	313,200

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40,000	Mueller Group, Inc. sec. FRN 6.91s, 2011	41,400
95,000	Mueller Group, Inc. sr. sub. notes 10s, 2012	103,075
180,000	Owens-Brockway Glass company guaranty 8 1/4s, 2013	195,750
75,000	Owens-Brockway Glass company guaranty 7 3/4s, 2011	81,000
170,000	Owens-Brockway Glass sr. sec. notes 8 3/4s, 2012	189,550
15,000	Owens-Illinois, Inc. debs. 7.8s, 2018	15,338
155,000	Polypore, Inc. 144A sr. sub. notes 8 3/4s, 2012	161,200
250,000	Sequa Corp. sr. notes Ser. B, 8 7/8s, 2008	273,750
165,000	Siebe PLC 144A sr. unsub. 6 1/2s, 2010 (United Kingdom)	156,131
60,000	Solo Cup Co. sr. sub. notes 8 1/2s, 2014	62,400
75,000	Tekni-Plex, Inc. 144A sr. sec. notes 8 3/4s, 2013	74,625
35,000	Terex Corp. company guaranty 9 1/4s, 2011	39,550
190,000	Terex Corp. company guaranty Ser. B, 10 3/8s, 2011	214,225
90,000	Titan Corp. (The) company guaranty 8s, 2011	95,400
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		6,306,404

### Chemicals (6.4%)

130,000	Acetex Corp. sr. notes 10 7/8s, 2009 (Canada)	142,350
10,000	Avecia Group PLC company guaranty 11s, 2009 (United Kingdom)	9,400
205,000	BCP Caylux Holdings Luxembourg SCA 144A sr. sub. notes 9 5/8s, 2014 (Luxembourg)	230,113
185,000	Compass Minerals Group, Inc. company guaranty 10s, 2011	207,200
50,000	Compass Minerals International, Inc. sr. disc. notes stepped-coupon zero % (12s, 6/1/08), 2013 (STP)	40,500
130,000	Compass Minerals International, Inc. sr. notes stepped-coupon zero % (12 3/4s, 12/15/07), 2012 (STP)	111,150
120,000	Crystal US Holdings, LLC/US Sub 3 Corp. 144A sr. disc. notes stepped-coupon zero % (10s, 10/1/09), 2014 (STP)	82,200
95,000	Equistar Chemicals LP notes 8 3/4s, 2009	105,450
290,000	Equistar Chemicals LP/Equistar Funding Corp. company guaranty 10 1/8s, 2008	332,775
180,000	Hercules, Inc. company guaranty 11 1/8s, 2007	216,000
140,000	Hercules, Inc. company guaranty 6 3/4s, 2029	144,550
35,000	Huntsman Advanced Materials, LLC	



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	144A sec. FRN 11.86s, 2008	37,800
40,000	Huntsman Advanced Materials, LLC 144A sec. notes 11s, 2010	47,500
140,000	Huntsman Co., LLC sr. disc. notes zero %, 2008	92,050
295,000	Huntsman ICI Chemicals, Inc. company guaranty 10 1/8s, 2009	311,225
270,000	Huntsman ICI Holdings sr. disc. notes zero %, 2009	150,525
120,000	Huntsman, LLC company guaranty 11 5/8s, 2010	142,800
60,000	Huntsman, LLC 144A company guaranty 11 1/2s, 2012	70,650
325,000	Innophos, Inc. 144A sr. sub. notes 8 7/8s, 2014	351,000
230,000	ISP Chemco, Inc. company guaranty Ser. B, 10 1/4s, 2011	258,175
10,000	Lyondell Chemical Co. bonds 11 1/8s, 2012	11,825
130,000	Lyondell Chemical Co. company guaranty 10 1/2s, 2013	154,050
100,000	Lyondell Chemical Co. company guaranty 9 1/2s, 2008	109,000
65,000	Lyondell Chemical Co. notes Ser. A, 9 5/8s, 2007	71,663
250,000	Millennium America, Inc. company guaranty 9 1/4s, 2008	282,500
EUR	10,000 Nalco Co. sr. notes 7 3/4s, 2011	14,439
EUR	10,000 Nalco Co. sr. sub. notes 9s, 2013	14,412
\$300,000	Nalco Co. sr. sub. notes 8 7/8s, 2013	331,125
	31,547 PCI Chemicals Canada sec. sr. notes 10s, 2008 (Canada)	32,651
	70,155 Pioneer Companies, Inc. sec. FRN 5.475s, 2006	70,506
	25,000 Resolution Performance Products, LLC sr. notes 9 1/2s, 2010	27,000
EUR	50,000 Rockwood Specialities Group, Inc. sr. sub. notes 7 5/8s, 2014	68,106
\$50,000	Rockwood Specialities Group, Inc. 144A sub. notes 7 1/2s, 2014	51,250
	27,275 Sterling Chemicals, Inc. sec. notes 10s, 2007 (PIK)	27,070
	75,000 United Agri Products 144A sr. notes 8 1/4s, 2011	79,875
	-----	4,428,885
Commercial and Consumer Services (0.6%)		
	115,000 IESI Corp. company guaranty 10 1/4s, 2012	136,850
	245,000 Laidlaw International, Inc. sr. notes 10 3/4s, 2011	282,056
	-----	418,906
Communication Services (8.2%)		
	60,000 Alamosa Delaware, Inc. company guaranty 11s, 2010	70,050
	50,000 Alamosa Delaware, Inc. company	

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	guaranty stepped-coupon zero % (12s, 7/31/05), 2009 (STP)	53,500
70,000	Alamosa Delaware, Inc. sr. notes 8 1/2s, 2012	75,250
35,000	American Cellular Corp. company guaranty 9 1/2s, 2009	29,488
114,000	American Tower Corp. sr. notes 9 3/8s, 2009	120,270
65,000	American Tower Corp. sr. notes 7 1/2s, 2012	67,438
125,000	American Towers, Inc. company guaranty 7 1/4s, 2011	131,250
100,000	Asia Global Crossing, Ltd. sr. notes 13 3/8s, 2010 (Bermuda) (In default) (NON)	7,000
165,000	Centennial Cellular Operating Co. company guaranty 10 1/8s, 2013	179,850
25,000	Cincinnati Bell Telephone Co. company guaranty 6.3s, 2028	22,375
195,000	Cincinnati Bell, Inc. sr. sub. notes 8 3/8s, 2014	194,513
70,000	Cincinnati Bell, Inc. sr. sub. notes 7 1/4s, 2023	67,375
185,000	Citizens Communications Co. notes 9 1/4s, 2011	215,063
160,000	Citizens Communications Co. sr. notes 6 1/4s, 2013	159,000
305,405	Colo.com, Inc. 144A sr. notes 13 7/8s, 2010 (In default) (NON)	31
205,000	Crown Castle International Corp. sr. notes 9 3/8s, 2011	229,600
45,000	Eircom Funding notes 8 1/4s, 2013 (Ireland)	49,950
65,000	Fairpoint Communications, Inc. sr. sub. notes 12 1/2s, 2010	69,875
177,439	Firstworld Communication Corp. sr. disc. notes zero %, 2008 (In default) (NON)	18
20,728	Globix Corp. company guaranty 11s, 2008 (PIK)	19,070
175,000	Inmarsat Finance PLC company guaranty 7 5/8s, 2012 (United Kingdom)	178,938
175,000	Inmarsat Finance PLC 144A company guaranty stepped-coupon zero % (10 3/8s, 11/15/08), 2012 (United Kingdom) (STP)	120,750
55,000	iPCS, Inc. 144A sr. notes 11 1/2s, 2012	60,500
135,000	Level 3 Financing, Inc. 144A sr. notes 10 3/4s, 2011	120,488
120,000	Madison River Capital Corp. sr. notes 13 1/4s, 2010	129,600
293,000	MCI, Inc. sr. notes 7.735s, 2014	299,593
45,000	MCI, Inc. sr. notes 6.688s, 2009	45,338
290,000	Nextel Communications, Inc. sr. notes 7 3/8s, 2015	319,000
5,000	Nextel Communications, Inc. sr. notes 6 7/8s, 2013	5,400
200,000	Nextel Communications, Inc. sr. notes 5.95s, 2014	203,500
55,000	Nextel Partners, Inc. sr. notes	

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	12 1/2s, 2009	62,700
225,000	Nextel Partners, Inc. sr. notes 8 1/8s, 2011	247,500
410,000	Qwest Communications International, Inc. 144A sr. notes 7 1/2s, 2014	399,750
475,000	Qwest Corp. 144A notes 9 1/8s, 2012	540,313
65,000	Qwest Services Corp. 144A notes 14 1/2s, 2014	80,275
85,000	Qwest Services Corp. 144A notes 14s, 2010	100,725
50,000	Rogers Cantel, Ltd. debs. 9 3/4s, 2016 (Canada)	58,875
40,000	Rogers Wireless, Inc. sec. notes 9 5/8s, 2011 (Canada)	46,600
65,000	Rogers Wireless, Inc. 144A sec. notes 7 1/2s, 2015 (Canada)	67,438
80,000	Rogers Wireless, Inc. 144A sr. sub. notes 8s, 2012 (Canada)	83,000
45,000	Rural Cellular Corp. sr. notes 9 7/8s, 2010	45,450
90,000	Rural Cellular Corp. sr. sub. notes 9 3/4s, 2010	80,775
55,000	SBA Telecommunications Inc./SBA Communication Corp. sr. disc. notes stepped-coupon zero % (9 3/4s, 12/15/07), 2011 (STP)	45,788
110,000	TSI Telecommunication Services, Inc. company guaranty Ser. B, 12 3/4s, 2009	124,575
65,000	UbiquiTel Operating Co. sr. notes 9 7/8s, 2011	71,338
270,000	UbiquiTel Operating Co. 144A sr. notes 9 7/8s, 2011	296,325
100,000	Western Wireless Corp. sr. notes 9 1/4s, 2013	108,000
	-----	5,703,500
Conglomerates (0.6%)		
	-----	
55,000	Tyco International Group SA company guaranty 6 3/4s, 2011 (Luxembourg)	61,457
325,000	Tyco International Group SA company guaranty 6s, 2013 (Luxembourg)	349,911
	-----	411,368
Consumer (1.0%)		
	-----	
115,000	Icon Health & Fitness company guaranty 11 1/4s, 2012	97,463
95,000	Jostens Holding Corp. sr. disc. notes stepped-coupon zero % (10 1/4s, 12/1/08), 2013 (STP)	67,450
245,000	Jostens IH Corp. 144A company guaranty 7 5/8s, 2012	256,638
260,000	Samsonite Corp. sr. sub. notes 8 7/8s, 2011	276,575
	-----	698,126
Consumer Goods (1.2%)		

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45,000	Elizabeth Arden, Inc. company guaranty 7 3/4s, 2014	47,925
200,000	Playtex Products, Inc. company guaranty 9 3/8s, 2011	213,500
140,000	Playtex Products, Inc. sec. notes 8s, 2011	153,300
215,000	Prestige Brands, Inc. 144A sr. sub. notes 9 1/4s, 2012	226,825
125,000	Remington Arms Co., Inc. company guaranty 10 1/2s, 2011	116,250
45,000	Scotts Co. (The) sr. sub. notes 6 5/8s, 2013	47,588
		805,388

### Consumer Services (0.4%)

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100,000	Brand Services, Inc. company guaranty 12s, 2012	112,000
60,000	United Rentals (North America), Inc. company guaranty 6 1/2s, 2012	58,800
130,000	Williams Scotsman, Inc. company guaranty 9 7/8s, 2007	128,700
		299,500

### Energy (7.3%)

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190,000	Arch Western Finance, LLC sr. notes 6 3/4s, 2013	199,025
80,000	Arch Western Finance, LLC 144A sr. notes 6 3/4s, 2013	83,800
90,000	Belden & Blake Corp. 144A sec. notes 8 3/4s, 2012	97,425
70,000	Bluewater Finance, Ltd. company guaranty 10 1/4s, 2012 (Cayman Islands)	75,950
110,000	BRL Universal Equipment sec. notes 8 7/8s, 2008	115,775
100,000	CHC Helicopter Corp. sr. sub. notes 7 3/8s, 2014 (Canada)	105,500
75,000	Chesapeake Energy Corp. company guaranty 9s, 2012	85,875
45,000	Chesapeake Energy Corp. company guaranty 7 3/4s, 2015	49,388
210,000	Chesapeake Energy Corp. sr. notes 7 1/2s, 2013	231,000
60,000	Chesapeake Energy Corp. sr. notes 7s, 2014	64,800
95,000	Comstock Resources, Inc. sr. notes 6 7/8s, 2012	98,325
140,000	Dresser, Inc. company guaranty 9 3/8s, 2011	154,000
90,000	Encore Acquisition Co. company guaranty 8 3/8s, 2012	99,450
45,000	Encore Acquisition Co. sr. sub. notes 6 1/4s, 2014	45,900
130,000	Exco Resources, Inc. company guaranty 7 1/4s, 2011	139,425
70,000	Forest Oil Corp. company guaranty 7 3/4s, 2014	76,125

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145,000	Forest Oil Corp. sr. notes 8s, 2011	164,575
35,000	Forest Oil Corp. sr. notes 8s, 2008	38,763
70,000	Hanover Compressor Co. sr. notes 9s, 2014	77,525
65,000	Hanover Compressor Co. sr. notes 8 5/8s, 2010	70,525
95,000	Hanover Compressor Co. sub. notes zero %, 2007	80,750
65,000	Hanover Equipment Trust sec. notes Ser. B, 8 3/4s, 2011	70,525
275,000	Harvest Operations Corp. 144A sr. notes 7 7/8s, 2011 (Canada)	280,500
55,000	Hornbeck Offshore Services, Inc. 144A sr. notes 6 1/8s, 2014	54,313
65,000	KCS Energy, Inc. sr. notes 7 1/8s, 2012	68,250
280,000	Key Energy Services, Inc. sr. notes 6 3/8s, 2013	284,200
260,000	Massey Energy Co. sr. notes 6 5/8s, 2010	270,400
130,000	Newfield Exploration Co. sr. notes 7 5/8s, 2011	146,250
125,000	Newfield Exploration Co. 144A sr. sub. notes 6 5/8s, 2014	134,063
120,000	Offshore Logistics, Inc. company guaranty 6 1/8s, 2013	123,000
75,000	Pacific Energy Partners/Pacific Energy Finance Corp. sr. notes 7 1/8s, 2014	80,625
135,000	Peabody Energy Corp. sr. notes 5 7/8s, 2016	135,506
30,000	Pemex Project Funding Master Trust company guaranty 8 5/8s, 2022	34,200
45,000	Pemex Project Funding Master Trust company guaranty 7 3/8s, 2014	49,221
100,000	Petro Geo-Services notes 10s, 2010 (Norway)	114,000
90,000	Plains Exploration & Production Co. company guaranty Ser. B, 8 3/4s, 2012	101,250
95,000	Plains Exploration & Production Co. sr. notes 7 1/8s, 2014	104,500
55,000	Plains Exploration & Production Co. sr. sub. notes 8 3/4s, 2012	61,875
110,000	Pogo Producing Co. sr. sub. notes Ser. B, 8 1/4s, 2011	120,725
290,000	Pride International, Inc. 144A sr. notes 7 3/8s, 2014	321,175
100,000	Seabulk International, Inc. company guaranty 9 1/2s, 2013	107,500
170,000	Star Gas Partners LP/Star Gas Finance Co. sr. notes 10 1/4s, 2013	181,475
25,000	Universal Compression, Inc. sr. notes 7 1/4s, 2010	26,750
45,000	Vintage Petroleum, Inc. sr. notes 8 1/4s, 2012	50,175
25,000	Vintage Petroleum, Inc. sr. sub. notes 7 7/8s, 2011	26,875
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		5,101,254

Entertainment (2.0%)

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75,000	AMC Entertainment, Inc. sr. sub. notes 9 7/8s, 2012	81,375
132,000	AMC Entertainment, Inc. sr. sub. notes 8s, 2014	130,020
155,000	Cinemark USA, Inc. sr. sub. notes 9s, 2013	178,250
180,000	Cinemark, Inc. sr. disc. notes stepped-coupon zero % (9 3/4s, 3/15/07), 2009 (STP)	132,300
335,000	LCE Acquisition Corp. 144A company guaranty 9s, 2014	360,125
175,000	Six Flags, Inc. sr. notes 9 5/8s, 2014	172,156
335,000	Six Flags, Inc. sr. notes 8 7/8s, 2010	336,675
		1,390,901

### Financial (1.3%)

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55,000	Crescent Real Estate Equities LP notes 7 1/2s, 2007 (R)	56,925
145,000	Crescent Real Estate Equities LP sr. notes 9 1/4s, 2009 (R)	158,413
175,000	E*Trade Finance Corp. 144A sr. notes 8s, 2011	186,813
232,870	Finova Group, Inc. notes 7 1/2s, 2009	111,778
85,000	UBS AG/Jersey Branch sr. notes Ser. EMTN, 9.14s, 2008 (Jersey)	90,950
240,000	Western Financial Bank sub. debs. 9 5/8s, 2012	273,600
		878,479

### Food (1.3%)

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35,271	Archibald Candy Corp. company guaranty 10s, 2007 (In default) (NON) (PIK)	14,108
60,000	ASG Consolidated, LLC/ASG Finance, Inc. 144A sr. disc. notes stepped-coupon zero % (11 1/2s, 11/1/08), 2011	38,400
335,000	Dean Foods Co. sr. notes 6 5/8s, 2009	354,263
40,000	Del Monte Corp. company guaranty Ser. B, 9 1/4s, 2011	43,800
100,000	Del Monte Corp. sr. sub. notes 8 5/8s, 2012	111,750
45,000	Dole Food Co. sr. notes 8 7/8s, 2011	49,275
35,000	Dole Food Co. sr. notes 8 5/8s, 2009	38,325
285,000	Pinnacle Foods Holding Corp. 144A sr. sub. notes 8 1/4s, 2013	257,925
		907,846

### Forest Products and Packaging (2.2%)

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75,000	Georgia-Pacific Corp. bonds 7 3/4s, 2029	82,500
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	130,000 Georgia-Pacific Corp. company guaranty 9 3/8s, 2013	151,450
	250,000 Georgia-Pacific Corp. debs. 9 1/2s, 2011	310,625
	210,000 Georgia-Pacific Corp. debs. 7.7s, 2015	239,400
	10,000 Jefferson Smurfit Corp. company guaranty 7 1/2s, 2013	10,725
	5,000 Jefferson Smurfit Corp. company guaranty company guaranty 8 1/4s, 2012	5,475
	215,000 MDP Acquisitions PLC sr. notes 9 5/8s, 2012 (Ireland)	245,100
EUR	5,000 MDP Acquisitions PLC sr. notes Ser. EUR, 10 1/8s, 2012 (Ireland)	7,571
	\$122,740 MDP Acquisitions PLC sub. notes 15 1/2s, 2013 (Ireland) (PIK)	142,992
	75,000 Norske Skog Canada, Ltd. sr. notes 7 3/8s, 2014 (Canada)	77,813
	40,000 Stone Container Corp. sr. notes 9 3/4s, 2011	44,200
	140,000 Stone Container Corp. sr. notes 8 3/8s, 2012	153,300
	35,000 Stone Container Finance company guaranty 7 3/8s, 2014 (Canada)	37,713
	25,000 Tembec Industries, Inc. company guaranty 7 3/4s, 2012 (Canada)	23,938
		-----
		1,532,802
Gaming & Lottery (4.3%)		
	60,000 Ameristar Casinos, Inc. company guaranty 10 3/4s, 2009	66,600
	65,000 Argosy Gaming Co. sr. sub. notes 7s, 2014	72,313
	160,000 Boyd Gaming Corp. sr. sub. notes 8 3/4s, 2012	180,000
	30,000 Boyd Gaming Corp. sr. sub. notes 7 3/4s, 2012	32,775
	60,000 Boyd Gaming Corp. sr. sub. notes 6 3/4s, 2014	63,150
	70,000 Chumash Casino & Resort Enterprise 144A sr. notes 9s, 2010	78,050
	85,000 Hollywood Park, Inc. company guaranty Ser. B, 9 1/4s, 2007	86,913
	40,000 Inn of the Mountain Gods sr. notes 12s, 2010	46,600
	75,000 Mandalay Resort Group sr. notes 6 3/8s, 2011	78,281
	10,000 MGM Mirage, Inc. coll. sr. notes 6 7/8s, 2008	10,775
	205,000 MGM Mirage, Inc. company guaranty 8 1/2s, 2010	232,931
	60,000 MGM Mirage, Inc. company guaranty 6s, 2009	61,425
	40,000 Mirage Resorts, Inc. debs. 7 1/4s, 2017	41,600
	220,000 Mohegan Tribal Gaming Authority sr. sub. notes 6 3/8s, 2009	226,600
	155,000 Park Place Entertainment Corp. sr. notes 7 1/2s, 2009	173,600

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115,000	Park Place Entertainment Corp. sr. notes 7s, 2013	126,788
95,000	Park Place Entertainment Corp. sr. sub. notes 8 7/8s, 2008	107,706
185,000	Penn National Gaming, Inc. sr. sub. notes 8 7/8s, 2010	203,038
95,000	Pinnacle Entertainment, Inc. sr. sub. notes 8 3/4s, 2013	102,363
125,000	Pinnacle Entertainment, Inc. sr. sub. notes 8 1/4s, 2012	129,375
120,000	Resorts International Hotel and Casino, Inc. company guaranty 11 1/2s, 2009	141,000
90,000	Station Casinos, Inc. sr. notes 6s, 2012	92,700
90,000	Station Casinos, Inc. sr. sub. notes 6 7/8s, 2016	93,825
215,000	Trump Atlantic City Associates company guaranty 11 1/4s, 2006 (In default) (NON)	195,919
90,000	Venetian Casino Resort, LLC company guaranty 11s, 2010	102,600
280,000	Wynn Las Vegas, LLC/Wynn Las Vegas Capital Corp. 144A 1st mtge. 6 5/8s, 2014	277,200
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		3,024,127

### Health Care (5.6%)

125,000	Alderwoods Group, Inc. 144A sr. notes 7 3/4s, 2012	133,438
105,000	AmerisourceBergen Corp. company guaranty 7 1/4s, 2012	115,238
100,000	AmerisourceBergen Corp. sr. notes 8 1/8s, 2008	110,250
170,000	Ardent Health Services, Inc. sr. sub. notes 10s, 2013	170,425
110,000	Ellan Finance Corp. 144A sr. notes 7 3/4s, 2011 (Ireland)	116,325
60,000	Extendicare Health Services, Inc. company guaranty 9 1/2s, 2010	67,200
100,000	Extendicare Health Services, Inc. sr. sub. notes 6 7/8s, 2014	102,500
50,000	HCA, Inc. debs. 7.19s, 2015	51,681
60,000	HCA, Inc. notes 8.36s, 2024	64,069
70,000	HCA, Inc. notes 7.69s, 2025	70,212
10,000	HCA, Inc. notes 7s, 2007	10,480
65,000	HCA, Inc. notes 6 3/8s, 2015	64,271
55,000	HCA, Inc. notes 5 3/4s, 2014	52,669
185,000	Healthsouth Corp. notes 7 5/8s, 2012	182,688
75,000	Healthsouth Corp. sr. notes 8 1/2s, 2008	77,156
45,000	Healthsouth Corp. sr. notes 8 3/8s, 2011	45,450
45,000	Healthsouth Corp. sr. sub. notes 10 3/4s, 2008	47,138
65,000	Insight Health Services Corp. 144A company guaranty 9 7/8s, 2011	65,975
51,360	Magellan Health Services, Inc. sr. notes Ser. A, 9 3/8s, 2008	55,405
35,000	MedQuest, Inc. company guaranty	



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	Ser. B, 11 7/8s, 2012	40,950
180,000	MQ Associates, Inc. sr. disc. notes stepped-coupon zero % (12 1/4s, 8/15/08), 2012 (STP)	127,800
120,000	Omnicare, Inc. sr. sub. notes 6 1/8s, 2013	120,600
133,000	PacifiCare Health Systems, Inc. company guaranty 10 3/4s, 2009	152,618
130,000	Province Healthcare Co. sr. sub. notes 7 1/2s, 2013	146,250
40,000	Service Corp. International debs. 7 7/8s, 2013	43,800
15,000	Service Corp. International notes 7.2s, 2006	15,600
5,000	Service Corp. International notes 6 7/8s, 2007	5,250
20,000	Service Corp. International notes 6 1/2s, 2008	20,850
50,000	Service Corp. International notes Ser. (a), 7.7s, 2009	54,500
140,000	Service Corp. International/US 144A sr. notes 7s, 2016	147,000
130,000	Stewart Enterprises, Inc. notes 10 3/4s, 2008	142,025
85,000	Tenet Healthcare Corp. notes 7 3/8s, 2013	82,875
10,000	Tenet Healthcare Corp. sr. notes 6 1/2s, 2012	9,300
155,000	Tenet Healthcare Corp. sr. notes 6 3/8s, 2011	143,763
180,000	Tenet Healthcare Corp. 144A sr. notes 9 7/8s, 2014	193,500
130,000	Triad Hospitals, Inc. sr. notes 7s, 2012	137,150
225,000	Triad Hospitals, Inc. sr. sub. notes 7s, 2013	230,625
85,000	Universal Hospital Services, Inc. sr. notes 10 1/8s, 2011	89,675
55,000	US Oncology, Inc. 144A sr. notes 9s, 2012	61,050
40,000	US Oncology, Inc. 144A sr. sub. notes 10 3/4s, 2014	45,700
95,000	Vanguard Health Holding Co. II, LLC 144A sr. sub. notes 9s, 2014	100,938
55,000	Ventas Realty LP/Capital Corp. company guaranty 9s, 2012 (R)	63,663
40,000	Ventas Realty LP/Capital Corp. 144A sr. notes 6 5/8s, 2014 (R)	40,700
60,000	VWR International, Inc. 144A sr. notes 6 7/8s, 2012	62,400
	-----	
		3,881,152
Homebuilding (2.4%)		
	-----	
70,000	Beazer Homes USA, Inc. company guaranty 8 5/8s, 2011	76,650
25,000	Beazer Homes USA, Inc. company guaranty 8 3/8s, 2012	27,500
20,000	D.R. Horton, Inc. company guaranty 8s, 2009	22,400
120,000	D.R. Horton, Inc. sr. notes 7 7/8s,	

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	2011	136,800
25,000	D.R. Horton, Inc. sr. notes 6 7/8s, 2013	27,125
50,000	D.R. Horton, Inc. sr. notes 5 7/8s, 2013	50,688
90,000	K. Hovnanian Enterprises, Inc. company guaranty 8 7/8s, 2012	99,900
70,000	K. Hovnanian Enterprises, Inc. company guaranty 6 3/8s, 2014	70,000
50,000	K. Hovnanian Enterprises, Inc. sr. notes 6 1/2s, 2014	50,750
275,000	KB Home sr. notes 5 3/4s, 2014	270,188
50,000	Meritage Corp. company guaranty 9 3/4s, 2011	55,625
35,000	Meritage Corp. sr. notes 7s, 2014	36,313
70,000	Schuler Homes, Inc. company guaranty 10 1/2s, 2011	79,800
135,000	Standard Pacific Corp. sr. notes 7 3/4s, 2013	146,475
10,000	Standard Pacific Corp. sr. notes 6 7/8s, 2011	10,475
215,000	Standard Pacific Corp. sr. notes 6 1/4s, 2014	211,775
55,000	Technical Olympic USA, Inc. company guaranty 10 3/8s, 2012	61,600
80,000	Technical Olympic USA, Inc. company guaranty 9s, 2010	86,200
30,000	WCI Communities, Inc. company guaranty 10 5/8s, 2011	33,525
130,000	WCI Communities, Inc. company guaranty 9 1/8s, 2012	144,300
	-----	
		1,698,089
Household Furniture and Appliances (0.3%)		
-----		
200,000	Sealy Mattress Co. sr. sub. notes 8 1/4s, 2014	211,500
Leisure (0.1%)		
-----		
80,000	K2, Inc. 144A sr. notes 7 3/8s, 2014	87,600
Lodging/Tourism (1.6%)		
-----		
7,000	FelCor Lodging LP company guaranty 10s, 2008 (R)	7,350
45,000	FelCor Lodging LP company guaranty 9s, 2008 (R)	50,400
115,000	Gaylord Entertainment Co. sr. notes 8s, 2013	124,200
73,000	HMH Properties, Inc. company guaranty Ser. B, 7 7/8s, 2008 (R)	75,099
60,000	Host Marriott LP company guaranty Ser. G, 9 1/4s, 2007 (R)	66,750
98,000	Host Marriott LP sr. notes Ser. E, 8 3/8s, 2006 (R)	102,410
165,000	Host Marriott LP 144A sr. notes 7s, 2012 (R)	174,075
95,000	ITT Corp. debs. 7 3/8s, 2015	106,875
105,000	ITT Corp. notes 6 3/4s, 2005	107,888
130,000	MeriStar Hospital Corp. company	

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	guaranty 9 1/8s, 2011 (R)	140,075
65,000	MeriStar Hospital Corp. company guaranty 9s, 2008 (R)	68,575
80,000	Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 3/8s, 2007	85,400
		1,109,097
 Media (0.7%)		
130,000	Affinity Group, Inc. sr. sub. notes 9s, 2012	140,400
85,000	Capital Records, Inc. 144A company guaranty 8 3/8s, 2009	95,533
140,000	Vivendi Universal SA sr. notes 6 1/4s, 2008 (France)	151,200
100,000	Warner Music Group 144A sr. sub. notes 7 3/8s, 2014	102,500
		489,633
 Metals (1.9%)		
120,000	AK Steel Corp. company guaranty 7 3/4s, 2012	122,400
80,000	Armco, Inc. sr. notes 8 7/8s, 2008	82,500
60,000	Century Aluminum Co. 144A company guaranty 7 1/2s, 2014	63,000
175,000	Gerdau Ameristeel Corp. sr. notes 10 3/8s, 2011 (Canada)	205,188
85,000	International Steel Group, Inc. sr. notes 6 1/2s, 2014	90,313
10,000	Kaiser Aluminum & Chemical Corp. sr. notes Ser. B, 10 7/8s, 2006 (In default) (NON)	8,550
EUR 80,000	SGL Carbon SA 144A sr. notes 8 1/2s, 2012 (Luxembourg)	116,305
\$110,000	Steel Dynamics, Inc. company guaranty 9 1/2s, 2009	121,825
175,000	Ucar Finance, Inc. company guaranty 10 1/4s, 2012	197,750
214,000	United States Steel Corp. sr. notes 9 3/4s, 2010	246,100
7,201	Wheeling-Pittsburgh Steel Corp. sr. notes 6s, 2010	5,401
13,998	Wheeling-Pittsburgh Steel Corp. sr. notes 5s, 2011	10,499
40,000	WHX Corp. sr. notes 10 1/2s, 2005	38,000
		1,307,831
 Other (3.5%)		
2,375,000	Dow Jones CDX HY 144A pass-through certificates 7 3/4s, 2009	2,410,583
 Publishing (4.7%)		
300,000	Advertising Direct 144A sr. notes 9 1/4s, 2012 (Canada)	313,500
382,086	Canada, Inc. 144A sr. sub. notes 8s, 2012 (Canada)	408,832

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185,000	Dex Media West, LLC/Dex Media Finance Co. sr. notes Ser. B, 8 1/2s, 2010	206,275
85,000	Dex Media, Inc. disc. notes zero %, 2013	65,238
345,000	Dex Media, Inc. notes 8s, 2013	369,581
140,000	Houghton Mifflin Co. sr. sub. notes 9 7/8s, 2013	154,000
175,000	MediaNews Group, Inc. sr. sub. notes 6 7/8s, 2013	179,375
185,000	Primedia, Inc. company guaranty 8 7/8s, 2011	190,550
80,000	Primedia, Inc. company guaranty 7 5/8s, 2008	80,000
135,000	Primedia, Inc. 144A sr. notes 8s, 2013	133,650
335,000	Reader's Digest Association, Inc. (The) sr. notes 6 1/2s, 2011	349,238
20,000	RH Donnelley Finance Corp. I company guaranty 8 7/8s, 2010	22,400
170,000	RH Donnelley Finance Corp. I 144A sr. notes 8 7/8s, 2010	190,400
85,000	RH Donnelley Finance Corp. I 144A sr. sub. notes 10 7/8s, 2012	101,575
245,000	Vertis, Inc. company guaranty Ser. B, 10 7/8s, 2009	267,050
120,000	Vertis, Inc. 144A sub. notes 13 1/2s, 2009	127,200
105,000	WRC Media Corp. sr. sub. notes 12 3/4s, 2009	98,831
	-----	
		3,257,695
 Restaurants (0.3%)		
	-----	
80,000	Domino's, Inc. sr. sub. notes 8 1/4s, 2011	87,200
155,000	Sbarro, Inc. company guaranty 11s, 2009	155,000
	-----	
		242,200
 Retail (2.2%)		
	-----	
80,000	Asbury Automotive Group, Inc. sr. sub. notes 8s, 2014	79,200
160,000	Autonation, Inc. company guaranty 9s, 2008	182,400
90,000	Finlay Fine Jewelry Corp. sr. notes 8 3/8s, 2012	96,975
155,000	JC Penney Co., Inc. debs. 7.95s, 2017	181,544
30,000	JC Penney Co., Inc. debs. 7.65s, 2016	34,313
90,000	JC Penney Co., Inc. debs. 7 1/8s, 2023	96,975
20,000	JC Penney Co., Inc. notes 9s, 2012	24,600
5,000	JC Penney Co., Inc. notes 8s, 2010	5,700
80,000	Jean Coutu Group, Inc. 144A sr. notes 7 5/8s, 2012 (Canada)	83,600
155,000	Jean Coutu Group, Inc. 144A sr. sub. notes 8 1/2s, 2014 (Canada)	157,325

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100,000	Rite Aid Corp. company guaranty 9 1/2s, 2011	109,750
5,000	Rite Aid Corp. debs. 6 7/8s, 2013	4,550
15,000	Rite Aid Corp. notes 7 1/8s, 2007	15,150
40,000	Rite Aid Corp. sec. notes 8 1/8s, 2010	42,600
75,000	Rite Aid Corp. sr. notes 9 1/4s, 2013	77,438
5,000	Rite Aid Corp. 144A notes 6s, 2005	5,088
195,000	Saks, Inc. company guaranty 7s, 2013	197,925
70,000	Toys R Us, Inc. notes 7 5/8s, 2011	70,700
70,000	United Auto Group, Inc. company guaranty 9 5/8s, 2012	78,225
		----- 1,544,058
 Technology (3.4%)		
-----		
200,000	Advanced Micro Devices, Inc. 144A sr. notes 7 3/4s, 2012	204,000
82,000	AMI Semiconductor, Inc. company guaranty 10 3/4s, 2013	96,145
70,000	Amkor Technologies, Inc. sr. sub. notes 10 1/2s, 2009	65,450
150,000	Celestica, Inc. sr.sub. notes 7 7/8s, 2011 (Canada)	159,000
115,000	Iron Mountain, Inc. company guaranty 8 5/8s, 2013	121,900
125,000	Iron Mountain, Inc. company guaranty 7 3/4s, 2015	126,875
10,000	Lucent Technologies, Inc. debs. 6 1/2s, 2028	8,525
175,000	Lucent Technologies, Inc. debs. 6.45s, 2029	150,063
10,000	Lucent Technologies, Inc. notes 5 1/2s, 2008	10,300
65,000	New ASAT Finance, Ltd. 144A company guaranty 9 1/4s, 2011 (Cayman Islands)	57,850
175,000	Nortel Networks Corp. notes 6 1/8s, 2006 (Canada)	176,750
153,000	ON Semiconductor Corp. company guaranty 13s, 2008	175,185
65,000	SCG Holding Corp. 144A notes zero %, 2011	92,950
110,000	Seagate Technology Hdd Holdings company guaranty 8s, 2009 (Cayman Islands)	118,250
155,000	UGS Corp. 144A sr. sub. notes 10s, 2012	176,700
130,000	Xerox Capital Trust I company guaranty 8s, 2027	132,275
65,000	Xerox Corp. notes Ser. MTN, 7.2s, 2016	67,925
210,000	Xerox Corp. sr. notes 7 5/8s, 2013	230,475
180,000	Xerox Corp. sr. notes 6 7/8s, 2011	190,350
		----- 2,360,968
 Textiles (0.9%)		
-----		
260,000	Levi Strauss & Co. sr. notes	

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	12 1/4s, 2012	274,300
75,000	Oxford Industries, Inc. sr. notes 8 7/8s, 2011	81,000
40,000	Phillips-Van Heusen Corp. sr. notes 7 1/4s, 2011	41,900
120,000	Russell Corp. company guaranty 9 1/4s, 2010	129,750
68,000	William Carter Holdings Co. (The) company guaranty Ser. B, 10 7/8s, 2011	77,860
		604,810
 Tire & Rubber (0.4%)		
35,000	Goodyear Tire & Rubber Co. (The) notes 8 1/2s, 2007	37,100
180,000	Goodyear Tire & Rubber Co. (The) notes 7.857s, 2011	178,650
35,000	Goodyear Tire & Rubber Co. (The) notes 6 3/8s, 2008	35,000
		250,750
 Tobacco (0.1%)		
110,000	North Atlantic Trading Co. sr. notes 9 1/4s, 2012	85,800
 Transportation (1.0%)		
95,000	American Airlines, Inc. pass-through certificates Ser. 01-1, 6.817s, 2011	87,638
170,000	Calair, LLC/Calair Capital Corp. company guaranty 8 1/8s, 2008	134,300
200,000	Kansas City Southern Railway Co. company guaranty 9 1/2s, 2008	227,000
30,000	Kansas City Southern Railway Co. company guaranty 7 1/2s, 2009	31,238
120,000	Navistar International Corp. company guaranty Ser. B, 9 3/8s, 2006	128,400
63,692	NWA Trust sr. notes Ser. A, 9 1/4s, 2012	65,683
40,000	Travel Centers of America, Inc. company guaranty 12 3/4s, 2009	45,300
		719,559
 Utilities & Power (7.5%)		
13,000	AES Corp. (The) sr. notes 8 7/8s, 2011	14,885
4,000	AES Corp. (The) sr. notes 8 3/4s, 2008	4,400
130,000	AES Corp. (The) 144A sec. notes 9s, 2015	149,500
190,000	AES Corp. (The) 144A sec. notes 8 3/4s, 2013	215,650
100,000	Allegheny Energy Supply 144A bonds 8 1/4s, 2012	113,250
65,000	Allegheny Energy Supply 144A sec.	

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	notes 10 1/4s, 2007	74,263
50,000	CenterPoint Energy Resources Corp. debs. 6 1/2s, 2008	53,608
25,000	CenterPoint Energy Resources Corp. sr. notes Ser. B, 7 7/8s, 2013	29,384
15,000	CMS Energy Corp. pass-through certificates 7s, 2005	15,030
130,000	CMS Energy Corp. sr. notes 8.9s, 2008	143,975
40,000	CMS Energy Corp. sr. notes 8 1/2s, 2011	45,500
30,000	CMS Energy Corp. sr. notes 7 3/4s, 2010	32,775
340,000	DPL, Inc. bonds 8 1/8s, 2031	383,350
55,000	Dynegy Holdings, Inc. sr. notes 6 7/8s, 2011	53,075
245,000	Dynegy Holdings, Inc. 144A sec. notes 10 1/8s, 2013	286,038
65,000	Dynegy-Roseton Danskamme company guaranty Ser. A, 7.27s, 2010	65,975
100,000	Dynegy-Roseton Danskamme company guaranty Ser. B, 7.67s, 2016	96,500
45,000	Edison Mission Energy sr. notes 10s, 2008	52,200
40,000	El Paso CGP Co. notes 7 3/4s, 2010	41,200
65,000	El Paso Corp. sr. notes 7 3/8s, 2012	64,838
160,000	El Paso Corp. sr. notes Ser. MTN, 7 3/4s, 2032	147,200
30,000	El Paso Natural Gas Co. debs. 8 5/8s, 2022	34,200
170,000	El Paso Production Holding Co. company guaranty 7 3/4s, 2013	177,225
115,000	Ferrellgas Partners LP/Ferrellgas Partners Finance sr. notes 6 3/4s, 2014	118,450
35,000	Kansas Gas & Electric debs. 8.29s, 2016	36,127
225,000	Midwest Generation, LLC sec. sr. notes 8 3/4s, 2034	255,094
145,000	Mission Energy Holding Co. sec. notes 13 1/2s, 2008	181,794
70,000	Monongahela Power Co. 144A 1st. mtge. 6.7s, 2014	76,902
85,000	Nevada Power Co. 2nd mtge. 9s, 2013	98,600
55,000	Nevada Power Co. 144A general ref. mtge. 5 7/8s, 2015	55,275
175,000	Northwest Pipeline Corp. company guaranty 8 1/8s, 2010	195,344
10,000	Northwestern Corp. debs. 6.95s, 2028 (In default) (NON)	8,800
20,000	Northwestern Corp. notes 8 3/4s, 2012 (In default) (NON)	1
445,000	NRG Energy, Inc. 144A sr. sec. notes 8s, 2013	491,724
100,000	Orion Power Holdings, Inc. sr. notes 12s, 2010	126,000
25,000	PG&E Gas Transmission Northwest sr. notes 7.1s, 2005	25,517
105,000	PSEG Energy Holdings, Inc. notes 7 3/4s, 2007	112,350
85,000	SEMCO Energy, Inc. sr. notes 7 3/4s, 2013	93,075

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110,000	SEMCO Energy, Inc. 144A sr. notes 7 3/4s, 2013	113,300
25,000	Sierra Pacific Power Co. general ref. mtge. 6 1/4s, 2012	26,125
165,000	Sierra Pacific Resources sr. notes 8 5/8s, 2014	188,100
20,000	Southern California Edison Co. notes 6 3/8s, 2006	20,686
55,000	Teco Energy, Inc. notes 10 1/2s, 2007	63,663
35,000	Teco Energy, Inc. notes 7.2s, 2011	38,675
55,000	Teco Energy, Inc. notes 7s, 2012	59,950
15,000	Tennessee Gas Pipeline Co. debs. 7s, 2028	14,700
75,000	Tennessee Gas Pipeline Co. unsecd. notes 7 1/2s, 2017	81,844
20,000	Transcontinental Gas Pipeline Corp. debs. 7 1/4s, 2026	21,700
105,000	Utilicorp Canada Finance Corp. company guaranty 7 3/4s, 2011 (Canada)	110,250
75,000	Utilicorp United, Inc. sr. notes 9.95s, 2011	85,125
70,000	Western Resources, Inc. sr. notes 9 3/4s, 2007	78,485
25,000	Williams Cos., Inc. (The) notes 8 3/4s, 2032	28,875
25,000	Williams Cos., Inc. (The) notes 8 1/8s, 2012	28,875
95,000	Williams Cos., Inc. (The) notes 7 5/8s, 2019	105,925
73,041	York Power Funding 144A notes 12s, 2007 (Cayman Islands) (In default) (NON) (F)	7
		----- 5,235,359 -----
	Total Corporate bonds and notes (cost \$60,957,671)	\$63,826,773

### Common stocks (2.0%) (a)

		Value
	307 AboveNet, Inc. (NON) (S)	\$7,982
	384 Alderwoods Group, Inc. (NON)	4,063
180,000	AMRESKO Creditor Trust (acquired various dates from 5/5/99 to 5/10/00, cost \$38,828) (NON) (RES) (R) (F)	180
	324 Archibald Candy Corp. (NON) (F)	1
	195 Birch Telecom, Inc. (NON) (F)	2
20,176	Coinmach Service Corp. IDS (Income Deposit Securities) (NON) (S)	275,200
	85 Comdisco Holding Co., Inc. (S)	2,125
505,286	Contifinancial Corp. Liquidating Trust Units	5,053
3,010	Covad Communications Group, Inc. (NON) (S)	4,696
	83 Crown Castle International Corp. (NON)	1,401
5,403	Globix Corp. (NON)	16,479
115,000	iPCS Escrow, Inc. (NON)	115



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3,613 iPCS, Inc. (NON)	92,493
33 Knology, Inc. (NON)	114
19 Leucadia National Corp.	1,191
1,111 Lodgian, Inc. (NON)	11,788
20,000 Loewen Group International, Inc. (NON) (F)	2
978 Northwestern Corp. (NON)	16,826
136 Polymer Group, Inc. Class A (NON)	2,584
576 PSF Group Holdings, Inc. 144A Class A (NON) (F)	863,685
10 Sterling Chemicals, Inc. (NON)	320
178 Sun Healthcare Group, Inc. (NON)	1,335
40 USA Mobility, Inc. (NON)	1,454
259,509 VFB, LLC (acquired various dates from 12/21/99 to 10/27/00, cost \$214,226) (NON) (RES)	49,307
40,417 VS Holdings, Inc. (NON)	30,313
816 Washington Group International, Inc. (NON)	31,824
	-----
Total Common stocks (cost \$4,225,013)	\$1,420,533

Foreign government bonds and notes (1.3%) (a)  
Principal amount

	Value
	-----
\$35,000 Colombia (Republic of) bonds 10 3/8s, 2033	\$39,638
35,000 Colombia (Republic of) bonds Ser. NOV, 9 3/4s, 2009	39,515
75,000 Colombia (Republic of) notes 10 3/4s, 2013	87,900
115,000 Ecuador (Republic of) bonds stepped-coupon Ser. REGS, 8s, 2030	98,670
140,000 Indonesia (Republic of) 144A sr. notes 6 3/4s, 2014	137,200
45,000 Peru (Republic of) bonds 8 3/4s, 2033	45,473
10,000 Philippines (Republic of) bonds 8 3/8s, 2011	10,000
155,000 Philippines (Republic of) sr. notes 8 7/8s, 2015	152,908
170,000 Russia (Federation of) unsub. stepped-coupon 5s (7 1/2s, 3/31/07), 2030 (STP)	168,725
18,667 Ukraine (Government of) sr. notes Ser. REGS, 11s, 2007	19,531
120,000 United Mexican States bonds Ser. MTN, 8.3s, 2031	135,840
	-----
Total Foreign government bonds and notes (cost \$856,486)	\$935,400

Preferred stocks (0.6%) (a)  
Number of shares

	Value
	-----
1,828 Doane Pet Care Co. \$7.125 pfd. 3 Dobson Commul,140	\$82,260
80 First Republic Capital Corp. 144A 10.50% pfd.	82,800
2,152 iStar Financial, Inc. Ser. F, \$1.95 cum. pfd. (R)	54,661

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19 Paxson Communications Corp. 14.25% cum. pfd. (PIK) (S)	142,500
100 Primedia, Inc. Ser. F, \$9.20 cum. pfd.	8,750
84 Rural Cellular Corp. Ser. B, 11.375% cum. pfd. (PIK)	67,200
-----	
Total Preferred stocks (cost \$486,749)	\$439,311

Convertible bonds and notes (0.6%) (a)	
Principal amount	Value
-----	
\$490,000 Cybernet Internet Services International, Inc. 144A cv. sr. disc. notes 13s, 2009 (Denmark) (In default) (NON)	\$5
65,000 Fairchild Semiconductor International, Inc. cv. company guaranty 5s, 2008	65,406
390,000 Kulicke & Soffa Industries, Inc. cv. sub. notes 0.5s, 2008	300,300
50,000 WCI Communities, Inc. cv. sr. sub. notes 4s, 2023	57,875
-----	
Total Convertible bonds and notes (cost \$811,431)	\$423,586

Convertible preferred stocks (0.3%) (a)	
Number of shares	Value
-----	
1,537 Crown Castle International Corp. \$3.125 cum. cv. pfd.	\$75,313
917 Omnicare, Inc. \$2.00 cv. pfd.	47,799
1,160 Williams Cos., Inc. (The) 144A \$2.75 cv. pfd.	98,745
-----	
Total Convertible preferred stocks (cost \$156,761)	\$221,857

Units (0.3%) (a) (cost \$812,266)	
Number of units	Value
-----	
446 XCL Equity Units (F)	\$197,851

Warrants (0.2%) (a) (NON)		
Number of warrants	Expiration date	Value
-----		
108 AboveNet, Inc.	9/8/08	\$864
127 AboveNet, Inc.	9/8/10	508
200 Dayton Superior Corp. 144A	6/15/09	1
1 Doe Run Resources Corp. 144A (F)	10/29/12	1
205 Huntsman Co., LLC 144A	5/15/11	71,747
89 MDP Acquisitions PLC 144A	10/1/13	3,560
70 Mikohn Gaming Corp. 144A	8/15/08	105
8 NTL, Inc.	1/13/11	34
80 Pliant Corp. 144A	6/1/10	1
120 Travel Centers of America, Inc. 144A	5/1/09	600
350 Ubiquitel, Inc. 144A	4/15/10	1
503 Washington Group International, Inc. Ser. A	1/25/06	5,835
575 Washington Group International, Inc.		

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Ser. B	1/25/06	5,290
310 Washington Group International, Inc.		
Ser. C	1/25/06	2,527
190 XM Satellite Radio Holdings, Inc.		
144A	3/15/10	15,200
		-----
Total Warrants (cost \$154,669)		\$106,274
Brady bonds (0.1%) (a) (cost \$98,306)		
Principal amount		Value
-----		
\$105,600 Peru (Republic of) FRB Ser. PDI, 5s, 2017		\$98,736
Senior loans (0.1%) (a) (c) (cost \$81,016)		
Principal amount		Value
-----		
\$90,000 Olympus Cable bank term loan FRN Ser. B, 6 3/4s, 2010		\$88,959
Asset-backed securities (0.1%) (a) (cost \$60,000)		
Principal amount		Value
-----		
\$60,000 Verdi Synthetic CLO 144A Ser. 1A, Class E2, 11.15s, 2010		\$60,263
Short-term investments (2.8%) (a)		
Principal amount		Value
-----		
\$393,596 Short-term investments held as collateral for loaned securities with yields ranging from 1.94% to 2.21% and due dates ranging from December 1, 2004 to January 7, 2005 (d)		\$393,449
1,527,879 Putnam Prime Money Market Fund (e)		1,527,879
		-----
Total Short-term investments (cost \$1,921,328)		\$1,921,328
-----		
Total Investments (cost \$70,621,696)		\$69,740,871
-----		

(a) Percentages indicated are based on net assets of \$69,622,305.

(NON) Non-income-producing security.

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

(RES) Restricted, excluding 144A securities, as to public resale. The total market value of restricted securities held at November 30, 2004 was \$49,487 or less than 0.1% of net assets.

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

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

(R) Real Estate Investment Trust.

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- (S) Securities on loan, in part or in entirety, at November 30, 2004.
- (c) Senior loans are exempt from registration under the Security Act of 1933, as amended, but contain certain restrictions on resale and cannot be sold publicly. These loans pay interest at rates which adjust periodically. The interest rate shown for senior loans are the current interest rates at November 30, 2004. Senior loans are also subject to mandatory and/or optional prepayment which cannot be predicted. As a result, the remaining maturity may be substantially less than the stated maturity shown.
- (d) See Note 1 to the financial statements.
- (e) See Note 4 to the financial statements regarding investments in Putnam Prime Money Market Fund.

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

The rates shown on Floating Rate Bonds (FRB) and Floating Rate Notes (FRN) are the current interest rates at November 30, 2004.

Forward currency contracts to sell at November 30, 2004 (Unaudited)  
(aggregate face value \$349,929)

	Value	Aggregate face value	Delivery date	Unrealized depreciation
Euro	\$350,973	\$349,929	3/16/05	\$(1,044)

Credit default contracts outstanding at November 30, 2004 (Unaudited)

	Notional amount	Unrealized apprecia deprecia
Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.35% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.	\$24,593	

Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the

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outstanding notional amount times 2.55625% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.	24,593
Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.4625% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.	12,296
Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.433% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.	9,222
Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.475% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.	6,148
Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.5% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.	3,074
Agreement with Goldman Sachs effective September 2, 2004, terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference obligation are liquidated, the fund receives a payment of the outstanding notional amount times 2.6% and the fund pays in the event of a credit default in one of the underlying securities in the basket of BB CMBS securities.	3,074

-----

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

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

Assets

Investment in securities, at value, including \$383,185 of securities on loan (Note 1):	
-----	
Unaffiliated issuers (identified cost \$69,093,817)	\$68,212,992
-----	

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Affiliated issuers (identified cost \$1,527,879) (Note 4)	1,527,879
-----	
Cash	93,273
-----	
Dividends, interest and other receivables	1,388,918
-----	
Receivable for securities sold	701,754
-----	
Receivable for open credit default contracts (Note 1)	1,073
-----	
Receivable for closed forward currency contracts (Note 1)	8,711
-----	
Total assets	71,934,600
Liabilities	
-----	
Distributions payable to shareholders	405,332
-----	
Payable for securities purchased	1,243,378
-----	
Payable for compensation of Manager (Notes 2 and 4)	128,308
-----	
Payable for investor servicing and custodian fees (Note 2)	31,544
-----	
Payable for Trustee compensation and expenses (Note 2)	30,082
-----	
Payable for administrative services (Note 2)	1,046
-----	
Payable for open forward currency contracts (Note 1)	1,044
-----	
Payable for closed forward currency contracts (Note 1)	42,873
-----	
Payable for open credit default contracts (Note 1)	80
-----	
Collateral on securities loaned, at value (Note 1)	393,449
-----	
Other accrued expenses	35,159
-----	
Total liabilities	2,312,295
-----	
Net assets	\$69,622,305
Represented by	
-----	
Paid-in capital (unlimited shares authorized) (Note 1)	\$104,868,809
-----	
Distributions in excess of net investment income (Note 1)	(706,059)
-----	
Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(33,659,746)
-----	
Net unrealized depreciation of investments and assets and liabilities in foreign currencies	(880,699)
-----	
Total -- Representing net assets applicable to capital shares outstanding	\$69,622,305
-----	
Computation of net asset value	
-----	
Net asset value per share (\$69,622,305 divided by 7,507,107 shares)	\$9.27

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

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

Investment income:

Interest (including interest income of \$14,892 from investments in affiliated issuers) (Note 4)	\$2,757,614
Dividends	29,564
Securities lending	176
Total investment income	2,787,354

Expenses:

Compensation of Manager (Note 2)	258,104
Investor servicing fees (Note 2)	17,182
Custodian fees (Note 2)	51,923
Trustee compensation and expenses (Note 2)	5,445
Administrative services (Note 2)	3,120
Auditing	22,426
Other	37,869
Fees waived and reimbursed by Manager (Note 4)	(1,529)
Total expenses	394,540
Expense reduction (Note 2)	(507)
Net expenses	394,033
Net investment income	2,393,321
Net realized loss on investments (Notes 1 and 3)	(403,988)
Net realized gain on credit default contracts (Note 1)	313
Net realized loss on foreign currency transactions (Note 1)	(35,545)
Net unrealized appreciation of assets and liabilities in foreign currencies during the period	3,341
Net unrealized appreciation of investments and credit default contracts during the period	3,918,239
Net gain on investments	3,482,360
Net increase in net assets resulting from operations	\$5,875,681

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

### Statement of changes in net assets

	Six months ended November 30 2004*	Year ended May 31 2004
Increase in net assets		
-----		
Operations:		
-----		
Net investment income	\$2,393,321	\$5,039,143
-----		
Net realized loss on investments and foreign currency transactions	(439,220)	(846,736)
-----		
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	3,921,580	3,612,657
-----		
Net increase in net assets resulting from operations	5,875,681	7,805,064
-----		
Distributions to shareholders: (Note 1)		
-----		
From net investment income	(2,431,997)	(4,993,812)
-----		
From return of capital	--	(50,354)
-----		
Total increase in net assets	3,443,684	2,760,898
-----		
Net assets		
-----		
Beginning of period	66,178,621	63,417,723
-----		
End of period (including distributions in excess of net investment income of \$706,059 and \$667,383, respectively)	\$69,622,305	\$66,178,621
-----		
Number of fund shares		
-----		
Shares outstanding at beginning and end of period	7,507,107	7,507,107
-----		

\* Unaudited

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

### Financial highlights

(For a common share outstanding throughout the period)

Six months  
ended  
Nov. 30



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Per-share operating performance	(Unaudited) 2004	2004	2003	Year ended May 2002
Net asset value, beginning of period	\$8.82	\$8.45	\$8.50	\$9.49
Investment operations:				
Net investment income (a)	.32 (d)	.67 (d)	.73	.86
Net realized and unrealized gain (loss) on investments	.45	.37	(.01)	(.86)
Total from investment operations	.77	1.04	.72	-- (e)
Less distributions:				
From net investment income	(.32)	(.66)	(.76)	(.87)
From return of capital	--	(.01)	(.01)	(.12)
Total distributions	(.32)	(.67)	(.77)	(.99)
Net asset value, end of period	\$9.27	\$8.82	\$8.45	\$8.50
Market price, end of period	\$8.37	\$7.92	\$9.02	\$9.48
Total return at market price (%) (b)	9.87*	(4.99)	4.15	(2.91)
Ratios and supplemental data				
Net assets, end of period (in thousands)	\$69,622	\$66,179	\$63,418	\$63,826
Ratio of expenses to average net assets (%) (c)	.58* (d)	1.19 (d)	1.22	1.19
Ratio of net investment income to average net assets (%)	3.52* (d)	7.57 (d)	9.17	9.69
Portfolio turnover (%)	31.19*	66.18	73.72	73.39

\* Not annualized.

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

(b) Total return assumes dividend reinvestment.

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

(d) Reflects waivers of certain fund expenses in connection with investments in Putnam Prime Money Market Fund during the period. As a

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result of such waivers, the expenses of the fund for the periods ended November 30, 2004 and May 31, 2004 reflect a reduction of less than 0.01% based on average net assets (Note 4).

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

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

Notes to financial statements  
November 30, 2004 (Unaudited)

Note 1  
Significant accounting policies

Putnam Managed High Yield Trust (the "fund"), a Massachusetts business trust, is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end management investment company. The fund's primary investment objective is to seek high current income. The fund intends to achieve its objective by investing in high yielding income securities. The fund invests in higher yielding, lower rated bonds that have a higher rate of default due to the nature of the investments.

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 Market quotations are not considered to be readily available for certain debt obligations; such investments are valued at fair value on the basis of valuations furnished by an independent pricing service or dealers, approved by the Trustees. Such services or dealers determine valuations for normal institutional-size trading units of such securities using methods based on market transactions for comparable securities and various relationships, generally recognized by institutional traders, between securities. Many securities markets and exchanges outside the U.S. close prior to the close of the New York Stock Exchange and therefore the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the New York Stock Exchange. Accordingly, on certain days, the fund will fair value foreign securities taking into account multiple factors, including movements in the U.S. securities markets. The number of days on which fair value prices will be used will depend on market activity and it is possible that fair value prices will be used by the fund to a significant extent. Securities quoted in foreign currencies are translated into U.S. dollars at the current exchange rate. Short-term investments having remaining maturities of 60 days or less are valued at amortized cost, which approximates fair value. Other investments, including restricted securities, are valued at fair value following procedures approved by the Trustees. Such valuations and procedures are reviewed periodically by the Trustees.

B) Joint trading account Pursuant to an Exemptive Order from the Securities and Exchange Commission, the fund may transfer uninvested

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

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

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

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

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

E) Forward currency contracts The fund may buy and sell forward currency contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These contracts are used to protect against a decline in value relative to the U.S. dollar of the currencies in which its portfolio securities are denominated or quoted (or an increase in the value of a currency in which securities a fund intends to buy are denominated, when a fund holds cash reserves and short term investments). The U.S. dollar value of forward currency

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contracts is determined using current forward currency exchange rates supplied by a quotation service. The market value of the contract will fluctuate with changes in currency exchange rates. The contract is marked to market daily and the change in market value is recorded as an unrealized gain or loss. When the contract is closed, the fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The fund could be exposed to risk if the value of the currency changes unfavorably, if the counterparties to the contracts are unable to meet the terms of their contracts or if the fund is unable to enter into a closing position. Risks may exceed amounts recognized on the statement of assets and liabilities. Forward currency contracts outstanding at period end, if any, are listed after the fund's portfolio.

F) Credit default contracts The fund may enter into credit default contracts where one party, the protection buyer, makes an upfront or periodic payment to a counterparty, the protection seller, in exchange for the right to receive a contingent payment. The maximum amount of the payment may equal the notional amount, at par, of the underlying index or security as a result of a related credit event. An upfront payment received by the fund, as the protection seller, is recorded as a liability on the fund's books. An upfront payment made by the fund, as the protection buyer, is recorded as an asset on the fund's books. Periodic payments received or paid by the fund are recorded as realized gains or losses. The credit default contracts are marked-to-market daily based upon quotations from market makers and the change, if any, is recorded as unrealized gain or loss. Payments received or made as a result of a credit event or termination of the contract are recognized, net of a proportional amount of the upfront payment, as realized gains or losses. In addition to bearing the risk that the credit event will occur, the fund could be exposed to market risk due to unfavorable changes in interest rates or in the price of the underlying security or index, the possibility that the fund may be unable to close out its position at the same time or at the same price as if it had purchased comparable publicly traded securities or that the counterparty may default on its obligation to perform. Risks of loss may exceed amounts recognized on the statement of assets and liabilities. Credit default contracts outstanding at period end, if any, are listed after the fund's portfolio.

G) Security lending The fund may lend securities, through its agents, to qualified borrowers in order to earn additional income. The loans are collateralized by cash and/or securities in an amount at least equal to the market value of the securities loaned. The market value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. The risk of borrower default will be borne by the fund's agents; the fund will bear the risk of loss with respect to the investment of the cash collateral. Income from securities lending is included in investment income on the statement of operations. At November 30, 2004, the value of securities loaned amounted to \$383,185. The fund received cash collateral of \$393,449 which is pooled with collateral of other Putnam funds into 20 issuers of high-grade short-term investments.

H) Federal taxes It is the policy of the fund to distribute all of its taxable income within the prescribed time and otherwise comply with the provisions of the Internal Revenue Code 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 tax under Section 4982 of the Code, as amended. Therefore, no provision has been made for federal taxes on income, capital gains or unrealized

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appreciation on securities held nor for excise tax on income and capital gains.

At May 31, 2004, the fund had a capital loss carryover of \$32,039,053 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
\$2,584,483	May 31, 2007
4,168,119	May 31, 2008
3,778,275	May 31, 2009
8,384,999	May 31, 2010
11,264,568	May 31, 2011
1,858,609	May 31, 2012

Pursuant to federal income tax regulations applicable to regulated investment companies, the fund has elected to defer to its fiscal year ending May 31, 2005 \$1,145,185 of losses recognized during the period November 1, 2003 to May 31, 2004.

The aggregate identified cost on a tax basis is \$70,917,779, resulting in gross unrealized appreciation and depreciation of \$4,266,290 and \$5,443,198, respectively, or net unrealized depreciation of \$1,176,908.

I) Distributions to shareholders Distributions to shareholders from net investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. 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.

### Note 2

Management fee, administrative services and other transactions

Putnam Management is paid for management and investment advisory services quarterly based on the average net assets of the fund. Such fee is based on 0.75% of the average weekly net assets.

Effective September 13, 2004, Putnam Investments Limited ("PIL"), an affiliate of Putnam Management is authorized by the Trustees to manage a separate portion of the assets of the fund as determined by Putnam Management from time to time. Putnam Management pays a quarterly sub-management fee to PIL for its services at an annual rate of 0.40% of the average net assets of the portion of the fund managed by PIL.

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

Custodial functions for the fund's assets are provided by Putnam Fiduciary Trust Company ("PFTC"), a subsidiary of Putnam, LLC. Putnam Investor Services, a division of PFTC, provides investor servicing agent functions to the fund. During the six months ended November 30, 2004, the fund paid PFTC \$69,105 for these services.

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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 November 30, 2004, the fund's expenses were reduced by \$507 under these arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$539, as a quarterly retainer, as been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees receive additional fees for attendance at certain committee meetings.

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

The fund has adopted an unfunded noncontributory defined benefit pension plan (the "Pension Plan") covering all Trustees of the fund who have served as a Trustee for at least five years. Benefits under the Pension Plan are equal to 50% of the Trustee's average total retainer and meeting fees for the three years preceding retirement. Pension expense for the fund is included in Trustee compensation and expenses in the statement of operations. Accrued pension liability is included in Payable for Trustee compensation and expenses in the statement of assets and liabilities. 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 November 30, 2004, cost of purchases and proceeds from sales of investment securities other than short-term investments aggregated \$20,600,706 and \$20,319,035, respectively. There were no purchases or sales of U.S. government securities.

### Note 4

#### Investment in Putnam Prime Money Market Fund

Pursuant to an Exemptive Order from the Securities and Exchange Commission, the fund invests in Putnam Prime Money Market Fund, an open-end management investment company managed by Putnam Management. Management fees paid by the fund are reduced by an amount equal to the management fees paid by Putnam Prime Money Market Fund with respect to assets invested by the fund in Putnam Prime Money Market Fund. For the period ended November 30, 2004, management fees paid were reduced by \$1,529 relating to the fund's investment in Putnam Prime Money Market Fund. Income distributions earned by the fund are recorded as income in the statement of operations and totaled \$14,892 for the period ended November 30, 2004.

### Note 5

#### Senior loan commitments

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

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addition to the risk that the borrower under the loan may default on its obligations.

### Note 6

#### Regulatory matters and litigation

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

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

#### Results of October 14, 2004 shareholder meeting (Unaudited)

An annual meeting of shareholders of the fund was held on October 14, 2004. At the meeting, each of the nominees for Trustees was elected, as follows:

	Votes for	Votes withheld
Jameson A. Baxter	6,210,457	159,461
Charles B. Curtis	6,209,907	160,011
Myra R. Drucker	6,205,910	164,008
Charles E. Haldeman, Jr.	6,211,747	158,171
John A. Hill	6,214,022	155,896
Ronald J. Jackson	6,215,937	153,981
Paul L. Joskow	6,214,637	155,281
Elizabeth T. Kennan	6,205,557	164,361
John H. Mullin, III	6,217,907	152,011
Robert E. Patterson	6,209,437	160,481
George Putnam, III	6,215,959	153,959
A.J.C. Smith	6,208,753	161,165

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W. Thomas Stephens	6,215,407	154,511
Richard B. Worley	6,213,960	155,958

All tabulations are rounded to the nearest whole number.

### Fund information

#### About Putnam Investments

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

#### Investment Manager

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

#### Marketing Services

Putnam Retail Management  
One Post Office Square  
Boston, MA 02109

#### Custodian

Putnam Fiduciary Trust Company

#### Legal Counsel

Ropes & Gray LLP

#### Trustees

John A. Hill, Chairman  
Jameson Adkins Baxter  
Charles B. Curtis  
Myra R. Drucker  
Charles E. Haldeman, Jr.  
Ronald J. Jackson  
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#### Officers

George Putnam, III  
President



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Associate Treasurer and  
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Compliance Officer

Judith Cohen  
Clerk and Assistant Treasurer

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

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PUTNAM INVESTMENTS

The Putnam Funds  
One Post Office Square  
Boston, Massachusetts 02109

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Shareholders can sign up for email delivery of shareholder reports on [www.putnaminvestments.com](http://www.putnaminvestments.com).

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Item 2. Code of Ethics:

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Not applicable

Item 3. Audit Committee Financial Expert:

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Not applicable

Item 4. Principal Accountant Fees and Services:

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Not applicable

Item 5. Audit Committee: Not applicable

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Item 6. Schedule of Investments: Not applicable

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

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Management Investment Companies: Not applicable

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Item 8. Purchases of Equity Securities by Closed-End Management Investment

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Companies and Affiliated Purchasers: Not applicable

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

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Not applicable

Item 10. Controls and Procedures:

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

(b) Changes in internal control over financial reporting:

Not applicable

Item 11. Exhibits:

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(a) Not applicable

