PUTNAM PREMIER INCOME TRUST
Form N-CSR
September 27, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# FORM N-CSR

## CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

| | |
|---|---|
| Investment Company Act file number: | (811-05452) |
| Exact name of registrant as specified in charter: | Putnam Premier Income Trust |
| Address of principal executive offices: | One Post Office Square, Boston, Massachusetts 02109 |
| Name and address of agent for service: | Robert T Burns, Vice President<br>One Post Office Square<br>Boston, Massachusetts 02109 |
| Copy to: | John W. Gerstmayr, Esq.<br>Ropes & Gray LLP<br>800 Boylston Street<br>Boston, Massachusetts 02199-3600 |
| Registrant’s telephone number, including area code: | (617) 292-1000 |
| Date of fiscal year end: | July 31, 2013 |
| Date of reporting period: | August 1, 2012 — July 31, 2013 |

Item 1. Report to Stockholders:

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

# Putnam Premier Income Trust

## Annual report 7 | 31 | 13



**Consider these risks before investing:** International investing involves currency, economic, and political risks. Emerging-market securities carry illiquidity and volatility risks. Lower-rated bonds may offer higher yields in return for more risk. Bond investments are subject to interest-rate risk (the risk of bond prices falling if interest rates rise) and credit risk (the risk of an issuer defaulting on interest or principal payments). Interest-rate risk is greater for longer-term bonds, and credit risk is greater for below-investment-grade bonds. Unlike bonds, funds that invest in bonds have fees and expenses. Bond prices may fall or fail to rise over time for several reasons, including general financial market conditions and factors related to a specific issuer or industry. Funds that invest in government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk and the risk that they may increase in value less when interest rates decline and decline in value more when interest rates rise. You can lose money by investing in the fund. The fund's shares trade on a stock exchange at market prices, which may be lower than the fund's net asset value.

# Message from the Trustees

Dear Fellow Shareholder:

At the midpoint of 2013, U.S. equity market indexes were near record highs, and the overarching theme of the domestic economy appeared to be one of slow healing. Equity investors were encouraged by improving housing and jobs data, as well as by solid corporate earnings. In Europe, the worst of the financial crisis appears to have passed, with some economic forecasts predicting that the eurozone will return to positive growth later this year. Meanwhile, thanks to its government's massive stimulus initiatives, Japan recently has experienced stronger economic growth after years of stagnation.

A primary question confronting markets is how the U.S. central bank will gradually reduce its $85 billion-a-month bond-buying program without derailing the fragile economic recovery. Investors have reacted positively to public reassurances by Fed Chairman Ben Bernanke, who said the central bank would not draw down stimulus until the economy finds itself on firm footing.

We cannot predict the pace at which economies will recover, nor can we forecast the full impact of the Fed's tapering decisions. However, we believe that Putnam's in-depth fundamental research, active investing, and risk management strategies can serve investors well through changing markets. Putnam's investment professionals integrate innovative thinking with traditional and alternative approaches to address a diverse range of financial goals.

We also believe that investing in any market environment is most effective when combined with the guidance of a professional advisor who can help you develop a financial plan suited to your goals and risk tolerance.

We would like to welcome new shareholders of the fund and to thank you for investing with Putnam. We would also like to extend our thanks to Elizabeth Kennan, who recently retired from the Board of Trustees, for her 20 years of dedicated service.

***Data are historical. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return and net asset value will fluctuate, and you may have a gain or a loss when you sell your shares. Performance assumes reinvestment of distributions and does not account for taxes. Fund returns in the bar chart are at NAV. See pages 5 and 11–12 for additional performance information, including fund returns at market price. Index and Lipper results should be compared with fund performance at NAV. Lipper calculates performance differently than the closed-end funds it ranks, due to varying methods for determining a fund's monthly reinvestment NAV.***



# Interview with your fund's portfolio manager

**Bill, what was the bond market environment like during the 12 months ended July 31, 2013?**

From the summer of 2012 into the spring of 2013, the market environment was favorable, buoyed by an improving economic backdrop and the tailwind of increased global liquidity that resulted from accommodative monetary policy in the United States and overseas. Within this environment, spread sectors, meaning sectors that trade at a yield premium to U.S. Treasuries, generally performed well.

In May, however, the market backdrop became less hospitable, as concern about higher interest rates weighed on sentiment, leading investors to take profits. The debate that began in May about when the Federal Reserve would begin tapering its bond-buying program intensified in June, when Chairman Ben Bernanke announced that the central bank could begin scaling back its stimulus program later in 2013, and end it by mid 2014, sooner than investors expected. During this time, interest rates rose and yield curves steepened globally. In July, the Fed clarified its stance, stating that monetary policy would remain highly accommodative until the economy was back on its feet. In response, investors breathed a sigh of relief and interest rates declined modestly.

This comparison shows your fund's performance in the context of broad market indexes for the 12 months ended 7/31/13. See pages 4 and 11–12 for additional fund performance information. Index descriptions can be found on pages 13–14.



---

**Turning to performance, the fund outpaced its benchmark by a sizable margin during the period. What factors fueled this solid showing?**

I think it's important to point out that the fund's benchmark is composed of U.S. Treasury and agency securities, which performed relatively poorly during the past year. That said, the biggest overall contributors were our mortgage credit holdings — both non-agency residential mortgage-backed securities [RMBS] and commercial mortgage-backed securities [CMBS] — as investors took advantage of attractive spreads and positive underlying fundamentals in these sectors. Later in the period, we sought to reduce risk by shifting the fund's allocation from RMBS into CMBS, which were performing better.

Positions in high-yield and emerging-market [EM] bonds also bolstered the fund's performance. For most of the period, both sectors benefited from persistent demand for higher-yielding securities. However, as interest rates rose in May and June, EM debt fell sharply, pulled down by unfavorable capital flows and market "technicals" [supply and demand dynamics], as well as concern about growth in China and weak commodity demand.

Our term-structure positioning, meaning our duration — or interest-rate sensitivity — and yield-curve strategy, was another contributor. In the United States, we sought to limit the fund's interest-rate risk by maintaining a relatively short duration for most of the period, while also positioning the fund for a modestly steeper yield curve. Later in the period, we lengthened the portfolio's duration

Credit qualities are shown as a percentage of the fund's net assets as of 7/31/13. A bond rated Baa or higher (Prime-3 or higher, for short-term debt) is considered investment grade. The chart reflects Moody's ratings; percentages may include bonds or derivatives not rated by Moody's but rated by Standard & Poor's (S&P) or, if unrated by S&P, by Fitch ratings, and then included in the closest equivalent Moody's rating. Ratings may vary over time.

Credit quality includes bonds and represents only the fixed-income portion of the portfolio. Cash and net other assets, if any, represent the market value weights of cash, derivatives, short-term securities, and other unclassified assets in the portfolio. The fund itself has not been rated by an independent rating agency.

in an effort to tactically position the fund to potentially benefit from any pullback in rates following the May-to-June rise. Our duration stance hampered performance versus the benchmark, because the fund's duration was slightly longer than that of the benchmark as rates rose. At the same time, as the yield curve steepened dramatically during May and June, the fund had less exposure to this than did the benchmark, which aided relative performance and more than offset the negative impact of the fund's duration. Overseas, we maintained short-duration positioning in Japan and Switzerland, which worked well as rates rose in those countries. However, this benefit was partially offset by long-duration positioning in Australia, Canada, and Sweden as rates rose in those nations.

Lastly, our prepayment strategy, which was implemented primarily with interest-only collateralized mortgage obligations [IO CMOs], modestly contributed, despite negative performance in April and May. During those two months, with interest rates still at extremely low levels, IO CMOs underperformed due to fears about a possible acceleration in the pace of mortgage refinancing. Persistently low mortgage rates tend to hurt the performance of IO CMOs because the mortgages underlying the securities are refinanced more rapidly. When rates rose from early May into June, investors were encouraged that higher

This table shows the fund's top holdings across three key sectors and the percentage of the fund's net assets that each represented as of 7/31/13. Short-term holdings, derivatives, and TBA commitments, if any, are excluded. Holdings may vary over time.



rates may slow the pace of refinancing and mortgage prepayment speeds. As a result, CMOs — particularly those of the interest-only [IO] variety — rebounded nicely in June and July.

**Which strategies hampered the fund's performance?**

Our active currency strategy, which is implemented with long and short positions using forward currency contracts, proved detrimental, as currency markets were volatile during the period. Specifically, our tactical exposure to the euro, the Czech koru, and the Australian dollar were the primary detractors. On the plus side, our underweight exposure to the Japanese yen was beneficial and helped to partially offset the overall negative outcome of our currency strategy. The yen weakened significantly following the Bank of Japan's announcement that it would take a more aggressive approach toward monetary easing. Late in the period, we significantly reduced the fund's currency risk by cutting back most of our active foreign currency positions, particularly in emerging markets. We felt this was prudent in light of heightened risk in the marketplace.

**How did you use derivatives during the period?**

We used Treasury futures and interest-rate swaps — which allow two parties to exchange one stream of future interest payments for another, based on a specified principal amount — to take tactical positions at various points along the yield curve. We also used interest-rate swaps and "swaptions" — which give us the option to enter into a swap contract — to hedge the interest-rate risk

This chart shows how the fund's top weightings have changed over the past six months. Allocations are shown as a percentage of the fund's net assets. Cash and net other assets, if any, represent the market value weights of cash, derivatives, short-term securities, and other unclassified assets in the portfolio. Current period summary information may differ from the portfolio schedule included in the financial statements due to the inclusion of derivative securities, any interest accruals, and the use of different classifications of securities for presentation purposes. Holdings and allocations may vary over time.

Cash positions may represent collateral used to cover certain derivative contracts.



---

associated with our CMO holdings. We employed total return swaps as a hedging tool and to help manage the fund's sector exposure. Lastly, we utilized forward currency contracts to hedge the foreign exchange risk associated with non-U.S. bonds and to efficiently gain exposure to foreign currencies as part of our active strategy involving global currency pairings.

**The fund reduced its distribution rate during the period. What led to this decision?**

The fund's distribution rate was lowered to $0.026 per share from $0.030 per share in December, due primarily to declining yields in the marketplace and to reduced gains from our prepayment strategies.

**What is your outlook for the coming months, and how are you positioning the fund?**

In our view, the Fed has concluded that the economy is in a much healthier state than when the latest round of quantitative easing began, and that if this pace of improvement continues, it would be prudent to begin scaling back, or "tapering," its bond-buying program. We expect the central bank to discuss the time frame for tapering at its September 2013 meeting. In our view, the Fed appears poised to reduce the pace of its bond buying soon after its September meeting, and end its purchases roughly six months later. This would conclude a period of monetary expansion and move the Fed to a neutral stance. From that point, we believe many more months will pass before the Fed begins to increase the federal funds rate.

Outside the United States, the global environment appears to be relatively stable, except for China, where weaker growth and high consumer debt levels have created challenges for a government that is trying to stimulate domestic demand. Peripheral eurozone economies have performed better than we anticipated, thanks to sharply lower interest rates in those countries. Core European economies were somewhat weaker than

**A word about derivatives**

Derivatives are an increasingly common type of investment instrument, the performance of which is *derived* from an underlying security, index, currency, or other area of the capital markets. Derivatives employed by the fund's managers generally serve one of two main purposes: to implement a strategy that may be difficult or more expensive to invest in through traditional securities, or to hedge unwanted risk associated with a particular position.

For example, the fund's managers might use currency forward contracts to capitalize on an anticipated change in exchange rates between two currencies. This approach would require a significantly smaller outlay of capital than purchasing traditional bonds denominated in the underlying currencies. In another example, the managers may identify a bond that they believe is undervalued relative to its risk of default, but may seek to reduce the interest-rate risk of that bond by using interest-rate swaps, a derivative through which two parties "swap" payments based on the movement of certain rates.

Like any other investment, derivatives may not appreciate in value and may lose money. Derivatives may amplify traditional investment risks through the creation of leverage and may be less liquid than traditional securities. And because derivatives typically represent contractual agreements between two financial institutions, derivatives entail "counterparty risk," which is the risk that the other party is unable or unwilling to pay. Putnam monitors the counterparty risks we assume. For example, Putnam may enter into collateral agreements that require the counterparties to post collateral on a regular basis to cover their obligations to the fund.



---

we expected, but data near the end of the period from Germany, the Netherlands, and Switzerland were encouraging.

As for interest rates, while we believe global rates are likely to move higher over the medium to longer term, we think the degree of increase during May and June was more than the current economic environment warrants. Consequently, as noted above, we modestly lengthened the portfolio’s duration in June as a tactical play to potentially capitalize on near-term rate declines.

In terms of portfolio positioning, following the liquidity-driven sell-off in various spread sectors, we selectively added CMBS and high-yield bonds, seeking to benefit from wider spreads and improved relative value in these sectors. We also continued to find value in IO CMOs, believing that these securities may benefit should rates move higher from current levels.

**Thanks for your time and for bringing us up to date, Bill.**

*The views expressed in this report are exclusively those of Putnam Management and are subject to change. They are not meant as investment advice.*

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

Portfolio Manager **D. William Kohli** is Co-Head of Fixed Income at Putnam. He has an M.B.A. from the Haas School of Business at the University of California, Berkeley, and a B.A. from the University of California, San Diego. Bill joined Putnam in 1994 and has been in the investment industry since 1986.

In addition to Bill, your fund’s portfolio managers are Michael J. Atkin; Kevin F. Murphy; Michael V. Salm; and Paul D. Scanlon, CFA.



## Your fund’s performance

This section shows your fund’s performance, price, and distribution information for periods ended July 31, 2013, the end of its most recent fiscal year. In accordance with regulatory requirements for mutual funds, we also include performance information as of the most recent calendar quarter-end. Performance should always be considered in light of a fund’s investment strategy. Data represent past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return, net asset value, and market price will fluctuate, and you may have a gain or a loss when you sell your shares.

**Fund performance** Total return and comparative index results for periods ended 7/31/13

| | NAV | Market price | Barclays Government Bond Index | Lipper Flexible Income Funds (closed-end) category average* |
|---|---|---|---|---|
| Annual average | | | | |
| Life of fund (since 2/29/88) | 7.74% | 6.89% | 6.57% | 7.22% |
| 10 years | 99.56 | 88.05 | 55.36 | 90.62 |

| | | | | |
|---|---|---|---|---|
| Annual average | 7.15 | 6.52 | 4.50 | 6.64 |
| 5 years | 47.73 | 42.77 | 23.17 | 46.79 |
| Annual average | 8.12 | 7.38 | 4.26 | 7.94 |
| 3 years | 19.70 | –0.25 | 8.25 | 22.46 |
| Annual average | 6.18 | –0.08 | 2.68 | 6.98 |
| 1 year | 9.79 | –1.06 | –2.54 | 7.02 |

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

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

* Over the 1-year, 3-year, 5-year, 10-year, and life-of-fund periods ended 7/31/13, there were 5, 5, 4, 4, and 1 funds, respectively, in this Lipper category.

**Fund price and distribution information** For the 12-month period ended 7/31/13

| **Distributions** | | |
|---|---|---|
| Number | 12 | |
| Income | $0.328 | |
| Capital gains | — | |
| **Total** | **$0.328** | |
| **Share value** | **NAV** | **Market price** |
| 7/31/12 | $5.76 | $5.63 |
| 7/31/13 | 5.96 | 5.25 |
| **Current rate (end of period)** | **NAV** | **Market price** |
| Current dividend rate* | 5.23% | 5.94% |

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

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

**Fund performance as of most recent calendar quarter**
Total return for periods ended 6/30/13

| | NAV | Market price |
|---|---|---|
| Annual average<br>Life of fund (since 2/29/88) | 7.72% | 6.98% |
| 10 years | 94.21 | 82.62 |
| Annual average | 6.86 | 6.21 |
| 5 years | 44.88 | 44.61 |
| Annual average | 7.70 | 7.66 |
| 3 years | 20.18 | 5.08 |
| Annual average | 6.32 | 1.67 |
| 1 year | 11.79 | 6.14 |

See the discussion following the Fund performance table on page 11 for information about the calculation of fund performance.



# Terms and definitions

### Important terms

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

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

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

### Fixed-income terms

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

**Mortgage-backed security (MBS)**, also known as a mortgage "pass-through," is a type of asset-backed security that is secured by a mortgage or collection of mortgages. The following are types of MBSs:

• **Agency "pass-through"** has its principal and interest backed by a U.S. government agency, such as the Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac).

• **Collateralized mortgage obligation (CMO)** represents claims to specific cash flows from pools of home mortgages. The streams of principal and interest payments on the mortgages are distributed to the different classes of CMO interests in "tranches." Each tranche may have different principal balances, coupon rates, prepayment risks, and maturity dates. A CMO is highly sensitive to changes in interest rates and any resulting change in the rate at which homeowners sell their properties, refinance, or otherwise prepay loans. CMOs are subject to prepayment, market, and liquidity risks.

• **Interest-only (IO) security** is a type of CMO in which the underlying asset is the interest portion of mortgage, Treasury, or bond payments.

• **Non-agency residential mortgage-backed security (RMBS)** is an MBS not backed by Fannie Mae, Ginnie Mae, or Freddie Mac. One type of RMBS is an Alt-A mortgage-backed security.

• **Commercial mortgage-backed security (CMBS)** is secured by the loan on a commercial property.

**Yield curve** is a graph that plots the yields of bonds with equal credit quality against their differing maturity dates, ranging from shortest to longest. It is used as a benchmark for other debt, such as mortgage or bank lending rates.

**Comparative indexes**

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

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

**BofA Merrill Lynch U.S. 3-Month Treasury Bill Index** is an unmanaged index that seeks to measure the performance of U.S. Treasury bills available in the marketplace.

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

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



---

**Lipper** is a third-party industry-ranking entity that ranks mutual funds. Its rankings do not reflect sales charges. Lipper rankings are based on total return at net asset value relative to other funds that have similar current investment styles or objectives as determined by Lipper. Lipper may change a fund's category assignment at its discretion. Lipper category averages reflect performance trends for funds within a category.

# Other information for shareholders

**Important notice regarding share repurchase program**

In September 2013, the Trustees of your fund approved the renewal of a share repurchase program that had been in effect since 2005. This renewal will allow your fund to repurchase, in the 12 months beginning October 8, 2013, up to 10% of the fund's common shares outstanding as of October 7, 2013.

**Proxy voting**

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2013, are available in the Individual Investors section of putnam.com, and on the Securities and Exchange Commission (SEC) website, www.sec.gov. If you have questions about finding forms on the SEC's website, you may call the SEC at 1-800-SEC-0330. You may also obtain the Putnam funds' proxy voting guidelines and procedures at no charge by calling Putnam's Shareholder Services at 1-800-225-1581.

**Fund portfolio holdings**

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

**Trustee and employee fund ownership**

Putnam employees and members of the Board of Trustees place their faith, confidence, and, most importantly, investment dollars in Putnam mutual funds. As of July 31, 2013, Putnam employees had approximately $394,000,000 and the Trustees had approximately $94,000,000 invested in Putnam mutual funds. These amounts include investments by the Trustees' and employees' immediate family members as well as investments through retirement and deferred compensation plans.



---

# Important notice regarding Putnam's privacy policy

In order to conduct business with our shareholders, we must obtain certain personal information such as account holders' names, addresses, Social Security numbers, and dates of birth. Using this information, we are able to maintain accurate records of accounts and transactions.

It is our policy to protect the confidentiality of our shareholder information, whether or not a shareholder currently owns shares of our funds. In particular, it is our policy not to sell information about you or your accounts to outside marketing firms. We have safeguards in place designed to prevent unauthorized access to our computer systems and procedures to protect personal information from unauthorized use.

Under certain circumstances, we must share account information with outside vendors who provide services to us, such as mailings and proxy solicitations. In these cases, the service providers enter into confidentiality agreements with us, and we provide only the information necessary to process transactions and perform other services related to your account. Finally, it is our policy to share account information with your financial representative, if you've listed one on your Putnam account.



---

## Summary of Putnam Closed-End Funds' Amended and Restated Dividend Reinvestment Plans

Putnam High Income Securities Fund, Putnam Managed Municipal Income Trust, Putnam Master Intermediate Income Trust, Putnam Municipal Opportunities Trust and Putnam Premier Income Trust (each, a "Fund" and collectively, the "Funds") each offer a **dividend reinvestment plan** (each, a "Plan" and collectively, the "Plans"). If you participate in a Plan, all income dividends and capital gain distributions are **automatically reinvested** in Fund shares by the Fund's agent, Putnam Investor Services, Inc. (the "Agent"). If you are not participating in a Plan, every month you will receive all dividends and other distributions in cash, paid by check and mailed directly to you.

Upon a purchase (or, where applicable, upon registration of transfer on the shareholder records of a Fund) of shares of a Fund by a registered shareholder, each such shareholder **will be deemed to have elected to participate** in that Fund's Plan. Each such shareholder will have all distributions by a Fund automatically reinvested in additional shares, unless such shareholder elects to terminate participation in a Plan by instructing the Agent to pay future distributions in cash. Shareholders who were not participants in a Plan as of January 31, 2010, will continue to receive distributions in cash but may enroll in a Plan at any time by contacting the Agent.

If you participate in a Fund's Plan, the Agent will automatically reinvest subsequent distributions, and the Agent will send you a confirmation in the mail telling you how many additional shares were issued to your account.

To change your enrollment status or to request additional information about the Plans, you may contact the Agent either in writing, at P.O. Box 8383, Boston, MA 02266-8383, or by telephone at 1-800-225-1581 during normal East Coast business hours.

**How you acquire additional shares through a Plan** If the market price per share for your Fund's shares (plus estimated brokerage commissions) is greater than or equal to their net asset value per share on the payment date for a distribution, you will be issued shares of the Fund at a value equal to the higher of the net asset value per share on that date or 95% of the market price per share on that date.

If the market price per share for your Fund's shares (plus estimated brokerage commissions) is less than their net asset value per share on the payment date for a distribution, the Agent will buy Fund shares for participating accounts in the open market. The Agent will aggregate open-market purchases on behalf of all participants, and the average price (including brokerage commissions) of all shares purchased by the Agent will be the price per share allocable to each participant. The Agent will generally complete these open-market purchases within five business days following the payment date. If, before the Agent has completed open-market purchases, the market price per share (plus estimated brokerage commissions) rises to exceed the net asset value per share on the payment date, then the purchase price may exceed the net asset value per share, potentially resulting in the acquisition of fewer shares than if the distribution had been paid in newly issued shares.

**How to withdraw from a Plan** Participants may withdraw from a Fund's Plan at any time by notifying the Agent, either in writing or by telephone. Such withdrawal will be effective immediately if notice is received by the Agent with sufficient time prior to any distribution record date; otherwise, such withdrawal will be effective with respect to any subsequent distribution following notice of withdrawal.



---

There is no penalty for withdrawing from or not participating in a Plan.

**Plan administration** The Agent will credit all shares acquired for a participant under a Plan to the account in which the participant's common shares are held. Each participant will be sent reasonably promptly a confirmation by the Agent of each acquisition made for his or her account.

**About brokerage fees** Each participant pays a proportionate share of any brokerage commissions incurred if the Agent purchases additional shares on the open market, in accordance with the Plans. There are no brokerage charges applied to shares issued directly by the Funds under the Plans.

**About taxes and Plan amendments** Reinvesting dividend and capital gain distributions in shares of the Funds does not relieve you of tax obligations, which are the same as if you had received cash distributions. The Agent supplies tax information to you and to the IRS annually. Each Fund reserves the right to amend or terminate its Plan upon 30 days' written notice. However, the Agent may assign its rights, and delegate its duties, to a successor agent with the prior consent of a Fund and without prior notice to Plan participants.

**If your shares are held in a broker or nominee name** If your shares are held in the name of a broker or nominee offering a dividend reinvestment service, consult your broker or nominee to ensure that an appropriate election is made on your behalf. If the broker or nominee holding your shares does not provide a reinvestment service, you may need to register your shares in your own name in order to participate in a Plan.

In the case of record shareholders such as banks, brokers or nominees that hold shares for others who are the beneficial owners of such shares, the Agent will administer the Plan on the basis of the number of shares certified by the record shareholder as representing the total amount registered in such shareholder's name and held for the account of beneficial owners who are to participate in the Plan.



---

# Trustee approval of management contract

**General conclusions**

The Board of Trustees of the Putnam funds oversees the management of each fund and, as required by law, determines annually whether to approve the continuance of your fund's management contract with Putnam Investment Management ("Putnam Management") and the sub-management contract with respect to your fund between Putnam Management and its affiliate, Putnam Investments Limited ("PIL"). The Board of Trustees, with the assistance of its Contract Committee, requests and evaluates all information it deems reasonably necessary under the circumstances in connection with its annual contract review. The Contract Committee consists solely of Trustees who are not "interested persons" (as this term is defined in the Investment Company Act of 1940, as amended (the "1940 Act")) of the Putnam funds ("Independent Trustees").

At the outset of the review process, members of the Board's independent staff and independent legal counsel met with representatives of Putnam Management to review the annual contract review materials furnished to the Contract Committee during the course of the previous year's review and to discuss possible changes in these materials that might be necessary or desirable for the coming year. Following these discussions and in consultation with the Contract Committee, the Independent Trustees' independent legal counsel requested that Putnam Management furnish specified information, together with any additional information that Putnam Management considered relevant, to the Contract Committee. Over the course of several months ending in June 2013, the Contract Committee met on a number of occasions with representatives of Putnam Management, and separately in executive session, to consider the information that Putnam Management provided. Throughout this process, the Contract Committee was assisted by the members of the Board's independent staff and by independent legal counsel for the Putnam funds and the Independent Trustees.

In May 2013, the Contract Committee met in executive session to discuss and consider its preliminary recommendations with respect to the continuance of the contracts. At the Trustees' June 20, 2013 meeting, the Contract Committee met in executive session with the other Independent Trustees to review a summary of the key financial data that the Contract Committee considered in the course of its review. The Contract Committee then presented its written report, which summarized the key factors that the Committee had considered and set forth its final recommendations. The Contract Committee then recommended, and the Independent Trustees approved, the continuance of your fund's management and sub-management contracts, effective July 1, 2013, subject to certain changes in the sub-management contract noted below. (Because PIL is an affiliate of Putnam Management and Putnam Management remains fully responsible for all services provided by PIL, the Trustees have not evaluated PIL as a separate entity, and all subsequent references to Putnam Management below should be deemed to include reference to PIL as necessary or appropriate in the context.)

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

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

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

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

As noted above, the Trustees considered certain administrative revisions to your fund's sub-management contract. Putnam Management recommended that the sub-management contract be revised to reduce the sub-management fee that Putnam Management pays to PIL with respect to the portion of the portfolios of certain funds, but not your fund, that may be allocated to PIL from time to time. The Independent Trustees' approval of this recommendation was based on their conclusion that these changes would have no practical effect on Putnam Management's continued responsibility for the management of these funds or the costs borne by fund shareholders and would not result in any reduction in the nature and quality of services provided to the funds.

**Management fee schedules and total expenses**

The Trustees reviewed the management fee schedules in effect for all Putnam funds, including fee levels and breakpoints. The Trustees also reviewed the total expenses of each Putnam fund, recognizing that in most cases management fees represented the major, but not the sole, determinant of total costs to shareholders.

In reviewing fees and expenses, the Trustees generally focus their attention on material changes in circumstances — for example, changes in assets under management, changes in a fund's investment style, changes in Putnam Management's operating costs or profitability, or changes in competitive practices in the mutual fund industry — that suggest that consideration of fee changes might be warranted. The Trustees concluded that the circumstances did not warrant changes to the management fee structure of your fund.

Under its management contract, your fund has the benefit of breakpoints in its management fee schedule that provide shareholders with economies of scale in the form of reduced fee levels as the fund's assets under management increase. In recent years, the Trustees have examined the operation of the existing breakpoint structure during periods of both growth and decline in asset levels. The Trustees concluded that the fee schedule in effect for your fund represented an appropriate sharing of economies of scale between fund shareholders and Putnam Management.

The Trustees reviewed comparative fee and expense information for a custom group of competitive funds selected by Lipper Inc. This comparative information included your fund's percentile ranking for effective management fees and total expenses, which provides a general indication of your fund's relative standing. In the custom peer group, your fund ranked in the 1st quintile in effective management fees



(determined for your fund and the other funds in the custom peer group based on fund asset size and the applicable contractual management fee schedule) and in the 1st quintile in total expenses as of December 31, 2012 (the first quintile representing the least expensive funds and the fifth quintile the most expensive funds). The fee and expense data reported by Lipper as of December 31, 2012 reflected the most recent fiscal year-end data available in Lipper's database at that time.

In connection with their review of the management fees and total expenses of the Putnam funds, the Trustees also reviewed the costs of the services provided and the profits realized by Putnam Management and its affiliates from their contractual relationships with the funds. This information included trends in revenues, expenses and profitability of Putnam Management and its affiliates relating to the investment management, investor servicing and distribution services provided to the funds. In this regard, the Trustees also reviewed an analysis of Putnam Management's revenues, expenses and profitability, allocated on a fund-by-fund basis, with respect to the funds' management, distribution, and investor servicing contracts. For each fund, the analysis presented information about revenues, expenses and profitability for each of the agreements separately and for the agreements taken together on a combined basis. The Trustees concluded that, at current asset levels, the fee schedules in place represented reasonable compensation for the services being provided and represented an appropriate sharing of such economies of scale as may exist in the management of the Putnam funds at that time.

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

**Investment performance**

The quality of the investment process provided by Putnam Management represented a major factor in the Trustees' evaluation of the quality of services provided by Putnam Management under your fund's management contract. The Trustees were assisted in their review of the Putnam funds' investment process and performance by the work of the investment oversight committees of the Trustees, which meet on a regular basis with the funds' portfolio teams and with the Chief Investment Officer and other senior members of Putnam Management's Investment Division throughout the year. The Trustees concluded that Putnam Management generally provides a high-quality investment process — based on the experience and skills of the individuals assigned to the management of fund portfolios, the resources made available to them, and in general Putnam Management's ability to attract and retain high-quality



---

personnel — but also recognized that this does not guarantee favorable investment results for every fund in every time period.

The Trustees considered that 2012 was a year of strong competitive performance for many of the Putnam funds, with only a relatively small number of exceptions. They noted that this strong performance was exemplified by the fact that the Putnam funds were recognized by Barron's as the best performing mutual fund complex for 2012 — the second time in four years that Putnam Management has achieved this distinction for the Putnam funds. They also noted, however, the disappointing investment performance of some funds for periods ended December 31, 2012 and considered information provided by Putnam Management regarding the factors contributing to the underperformance and actions being taken to improve the performance of these particular funds. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these efforts and to evaluate whether additional actions to address areas of underperformance are warranted.

For purposes of evaluating investment performance, the Trustees generally focus on competitive industry rankings for the one-year, three-year, and five-year periods. For a number of Putnam funds with relatively unique investment mandates, the Trustees evaluated performance based on comparisons of their absolute gross returns with the returns of selected investment benchmarks or targeted annualized returns. In the case of your fund, the Trustees considered that its common share cumulative total return performance at net asset value was in the following quartiles of its Lipper Inc. peer group (Lipper Flexible Income Funds) for the one-year, three-year and five-year periods ended December 31, 2012 (the first quartile representing the best-performing funds and the fourth quartile the worst-performing funds):

| | |
|---|---|
| One-year period | 2nd |
| Three-year period | 3rd |
| Five-year period | 3rd |

Over the one-year, three-year and five-year periods ended December 31, 2012, there were 5, 5 and 4 funds, respectively, in your fund's Lipper peer group. (When considering performance information, shareholders should be mindful that past performance is not a guarantee of future results.)

**Brokerage and soft-dollar allocations; investor servicing**

The Trustees considered various potential benefits that Putnam Management may receive in connection with the services it provides under the management contract with your fund. These include benefits related to brokerage allocation and the use of soft dollars, whereby a portion of the commissions paid by a fund for brokerage may be used to acquire research services that are expected to be useful to Putnam Management in managing the assets of the fund and of other clients. Subject to policies established by the Trustees, soft dollars generated by these means are used primarily to acquire brokerage and research services that enhance Putnam Management's investment capabilities and supplement Putnam Management's internal research efforts. However, the Trustees noted that a portion of available soft dollars continues to be used to pay fund expenses. The Trustees indicated their continued intent to monitor regulatory and industry developments in this area with the assistance of their Brokerage Committee and also indicated their continued intent to monitor the allocation of the Putnam funds' brokerage in order to ensure that the principle of seeking best price and execution remains paramount in the portfolio trading process.

Putnam Management may also receive benefits from payments that the funds make to Putnam Management's affiliates for investor services.



In conjunction with the annual review of your fund's management and sub-management contracts, the Trustees reviewed your fund's investor servicing agreement with Putnam Investor Services, Inc. ("PSERV"), which is an affiliate of Putnam Management. The Trustees concluded that the fees payable by the funds to PSERV for such services are reasonable in relation to the nature and quality of such services, the fees paid by competitive funds, and the costs incurred by PSERV in providing such services.



# Financial statements

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

**The fund's portfolio** lists all the fund's investments and their values as of the last day of the reporting period. Holdings are organized by asset type and industry sector, country, or state to show areas of concentration and diversification.

**Statement of assets and liabilities** shows how the fund’s net assets and share price are determined. All investment and non-investment assets are added together. Any unpaid expenses and other liabilities are subtracted from this total. The result is divided by the number of shares to determine the net asset value per share. (For funds with preferred shares, the amount subtracted from total assets includes the liquidation preference of preferred shares.)

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

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

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



---

**Report of Independent Registered Public Accounting Firm**

The Board of Trustees and Shareholders
Putnam Premier Income Trust:

We have audited the accompanying statement of assets and liabilities of Putnam Premier Income Trust (the fund), including the fund’s portfolio, as of July 31, 2013, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended. These financial statements and financial highlights are the responsibility of the fund’s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of July 31, 2013, by correspondence with the custodian and brokers or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Putnam Premier Income Trust as of July 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts
September 20, 2013



**The fund's portfolio** 7/31/13

| MORTGAGE-BACKED SECURITIES (46.2%)* | Principal amount | Value |
|---|---|---|
| **Agency collateralized mortgage obligations (18.0%)** | | |
| Federal Home Loan Mortgage Corp. | | |
| IFB Ser. 3182, Class SP, 27.836s, 2032 | $648,456 | $1,010,836 |
| IFB Ser. 3408, Class EK, 25.024s, 2037 | 226,405 | 324,991 |
| IFB Ser. 2979, Class AS, 23.573s, 2034 | 92,196 | 121,351 |
| IFB Ser. 3072, Class SM, 23.096s, 2035 | 411,672 | 588,967 |
| IFB Ser. 3072, Class SB, 22.95s, 2035 | 368,741 | 525,296 |
| IFB Ser. 3998, Class KS, IO, 6.509s, 2027 | 4,600,599 | 708,780 |
| IFB Ser. 3895, Class SM, IO, 6.459s, 2040 | 7,796,922 | 1,251,533 |
| IFB Ser. 4048, Class GS, IO, 6.459s, 2040 | 4,432,591 | 864,577 |
| IFB Ser. 3940, Class PS, IO, 6.459s, 2040 | 10,890,813 | 1,721,838 |
| IFB Ser. 3860, Class SP, IO, 6.409s, 2040 | 7,943,991 | 1,217,258 |
| IFB Ser. 4032, Class SA, IO, 6.309s, 2042 | 8,498,714 | 1,484,575 |
| IFB Ser. 4125, Class SH, IO, 5.959s, 2042 | 4,922,870 | 869,379 |
| IFB Ser. 4112, Class SC, IO, 5.959s, 2042 | 18,950,446 | 3,268,843 |
| IFB Ser. 4105, Class LS, IO, 5.959s, 2041 | 5,351,096 | 1,045,444 |
| IFB Ser. 3922, Class CS, IO, 5.909s, 2041 | 3,470,497 | 512,164 |
| IFB Ser. 308, Class S1, IO, 5.751s, 2043 | 5,804,000 | 1,315,186 |
| Ser. 3632, Class CI, IO, 5s, 2038 | 1,208,552 | 94,352 |
| Ser. 3626, Class DI, IO, 5s, 2037 | 510,019 | 15,255 |
| Ser. 304, Class C27, IO, 4 1/2s, 2042 | 12,050,767 | 2,162,149 |
| Ser. 4122, Class TI, IO, 4 1/2s, 2042 | 8,019,798 | 1,492,484 |
| Ser. 4000, Class PI, IO, 4 1/2s, 2042 | 4,645,049 | 796,626 |
| Ser. 4019, Class GI, IO, 4 1/2s, 2041 | 19,605,090 | 3,252,484 |
| Ser. 4024, Class PI, IO, 4 1/2s, 2041 | 9,594,497 | 1,679,018 |
| Ser. 3747, Class HI, IO, 4 1/2s, 2037 | 1,045,757 | 122,466 |
| Ser. 3751, Class MI, IO, 4s, 2034 | 4,649,063 | 80,289 |
| Ser. 3740, Class KI, IO, 4s, 2033 | 1,381,516 | 11,922 |
| Ser. 304, Class C53, IO, 4s, 2032 | 4,941,701 | 734,436 |
| Ser. 4105, Class HI, IO, 3 1/2s, 2041 | 4,930,541 | 779,568 |
| Ser. 304, IO, 3 1/2s, 2027 | 10,413,429 | 1,207,125 |
| Ser. 304, Class C37, IO, 3 1/2s, 2027 | 7,673,371 | 898,398 |
| Ser. 4165, Class TI, IO, 3s, 2042 | 21,174,034 | 2,947,426 |
| Ser. 4183, Class MI, IO, 3s, 2042 | 8,618,217 | 1,179,834 |
| Ser. 4210, Class PI, IO, 3s, 2041 | 6,476,319 | 769,063 |
| Ser. T-57, Class 1AX, IO, 0.402s, 2043 | 4,797,102 | 55,784 |

| | | |
|---|---|---|
| Ser. 4077, Class TO, PO, zero %, 2041 | 3,272,495 | 2,558,044 |
| FRB Ser. 3326, Class WF, zero %, 2035 | 5,072 | 4,894 |
| Federal National Mortgage Association | | |
| IFB Ser. 06-62, Class PS, 38.76s, 2036 | 443,199 | 856,620 |
| IFB Ser. 07-53, Class SP, 23.503s, 2037 | 362,027 | 525,752 |
| IFB Ser. 08-24, Class SP, 22.587s, 2038 | 355,892 | 532,059 |
| IFB Ser. 05-75, Class GS, 19.68s, 2035 | 355,916 | 484,024 |
| IFB Ser. 05-83, Class QP, 16.9s, 2034 | 442,528 | 578,806 |
| IFB Ser. 10-99, Class NS, IO, 6.41s, 2039 | 5,887,253 | 750,036 |
| IFB Ser. 404, Class S13, IO, 6.21s, 2040 | 7,659,775 | 1,335,906 |
| IFB Ser. 10-35, Class SG, IO, 6.21s, 2040 | 6,146,850 | 1,026,708 |



| **MORTGAGE-BACKED SECURITIES (46.2%)*** *cont.* | **Principal amount** | **Value** |
|---|---|---|
| **Agency collateralized mortgage obligations** *cont.* | | |
| Federal National Mortgage Association | | |
| IFB Ser. 12-132, Class SB, IO, 6.01s, 2042 | $15,943,376 | $2,196,678 |
| IFB Ser. 13-19, Class DS, IO, 6.01s, 2041 **F** | 10,277,394 | 2,031,364 |
| IFB Ser. 13-41, Class SP, IO, 6.01s, 2040 | 3,572,360 | 623,198 |
| IFB Ser. 09-100, Class SA, IO, 6.01s, 2039 | 3,192,593 | 319,259 |
| IFB Ser. 13-18, Class SB, IO, 5.96s, 2041 | 4,573,949 | 820,109 |
| IFB Ser. 12-105, Class S, IO, 5.86s, 2042 | 3,760,947 | 664,042 |
| IFB Ser. 10-46, Class WS, IO, 5.56s, 2040 | 5,529,106 | 682,623 |
| Ser. 374, Class 6, IO, 5 1/2s, 2036 | 1,027,567 | 152,316 |
| Ser. 12-132, Class PI, IO, 5s, 2042 | 10,193,753 | 1,880,136 |
| Ser. 398, Class C5, IO, 5s, 2039 | 637,493 | 86,189 |
| Ser. 10-13, Class EI, IO, 5s, 2038 | 363,415 | 15,764& |