PUTNAM PREMIER INCOME TRUST
Form N-CSRS
March 31, 2009

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: Beth S. Mazor, Vice President
One Post Office Square
Boston, Massachusetts 02109

Copy to: John W. Gerstmayr, Esq.
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One International Place
Boston, Massachusetts 02110

Registrants telephone number, including area code: (617) 292-1000

Date of fiscal year end: July 31, 2009

Date of reporting period August 1, 2008 January 31, 2009

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:

Since 1937, when George Putnam created a prudent mix of stocks and bonds in a single, professionally managed portfolio, we have championed the wisdom of the balanced approach. Today, we offer investors a world of equity, fixed-income, multi-asset, and absolute-return portfolios so investors can pursue a range of financial goals. Our seasoned portfolio managers seek superior results over time, backed by original, fundamental research on a global scale. We believe in service excellence, in the value of experienced financial advice, and in putting clients first in everything we do.

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

THE PRUDENT MAN RULE

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

Putnam Premier Income Trust

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Semiannual Report

Message from the Trustees

Dear Fellow Shareholder:

Financial markets have experienced significant upheaval for well over a year now. Responses by governmental and financial authorities have been rapid and often unprecedented in scale, including the recent passage of a nearly $800 billion economic stimulus plan by Congress. Although history reminds us that stability and optimism have always returned to the markets, investors should expect continued volatility in the near term, for we are in the midst of a deep and painful bear market.

Under President and Chief Executive Officer Robert L. Reynolds, Putnam Investments is making the most of these challenging times by instituting several important changes designed to prepare Putnam for the eventual recovery. Key among them has been replacing a team management structure within Putnam equity funds with a more nimble decision-making process that vests responsibility with individual fund managers.

In other moves aimed at achieving performance excellence, Putnam has affirmed a fundamental approach to investing, simplified its equity fund lineup, and hired nearly 20 seasoned equity analysts.

We would like to take this opportunity to welcome new shareholders to the fund and to thank all of our investors for your continued confidence in Putnam. Although the markets have presented investors with extraordinary challenges, it is Putnams belief that the seeds of opportunity are often sown during difficult times like these.

About the fund

Seeking broad diversification across global bond markets

When Putnam Premier Income Trust was launched in 1988, its three-pronged focus on U.S. investment-grade bonds, high-yield corporate bonds, and non-U.S. bonds was considered innovative. Lower-rated, higher-yielding corporate bonds were relatively new, having just been established in the late 1970s. And, at the time of the funds launch, few investors were venturing outside the United States for fixed-income opportunities.

The bond investment landscape has undergone a transformation in the two decades since the funds launch. The U.S. investment-grade market added new sectors such as asset-backed securities, and the high-yield corporate bond sector has grown significantly.

Outside the United States, the advent of the euro has resulted in a large market of European bonds. And there are also growing opportunities to invest in the debt of emerging-market countries.

The fund is designed to keep pace with this market expansion. To process the markets increasing complexity, Putnams fixed-income group aligns teams of specialists with the varied investment opportunities. Each group identifies what it considers to be compelling strategies within its area of expertise. Your funds portfolio managers select from among these strategies, systematically building a diversified portfolio that seeks to carefully balance risk and return.

We believe the funds multi-strategy approach is well suited to the expanding opportunities of todays global bond marketplace. As different factors drive the performance of the various fixed-income sectors, the funds diversified strategy can take advantage of changing market leadership in pursuit of high current income.

International investing involves certain risks, such as currency fluctuations, economic instability, and political developments. Additional risks may be associated with emerging-market securities, including illiquidity and volatility. Lower-rated bonds may offer higher yields in return for more risk. Mutual funds that invest in government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk. Mutual funds that invest in bonds are subject to certain risks, including interest-rate risk, credit risk, and inflation risk. As interest rates rise, *the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. The fund□s shares trade on a stock exchange at market prices, which may be higher or lower than the fund□s NAV.*

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

More assets at work While open-end funds need to maintain a cash position to meet redemptions, closed-end funds are not subject to redemptions and can keep more of their assets invested in the market

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

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

Putnam Premier Income Trust

Putnam Premier Income Trust balances risk and return across multiple sectors.

Portfolio composition as of 1/31/09

Putnam believes that building a diversified portfolio with multiple income-generating strategies is the best way to pursue your fund□s objectives. The fund□s portfolio is composed of a broad spectrum of government, credit, and securitized debt instruments.

Weightings are shown as a percentage of the fund□s net assets. Allocations and holdings in each sector will vary over time. For more information on current fund holdings, see pages 22□67.

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Performance snapshot

Average annual total return (%) comparison as of 1/31/09

Data is 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 7 and 12□13 for additional performance information, including fund returns at market price. Index and Lipper results should be compared to 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.*

** Returns for the six-month period are not annualized, but cumulative.*

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Interview with your fund□s Portfolio Manager

Bill Kohli

How did the fund perform during the past six months, Bill?

It was an extremely difficult period for the fund, as it trailed its benchmark, the Barclays Capital Government Bond Index, and the average for its Lipper peer group, Flexible Income Funds [closed-end]. Specifically, the fund declined 27.93% at net asset value versus a 6.92% return for its benchmark and an 18.52% loss for the Lipper peer group.

How would you characterize the bond market environment over this period?

The period was marked by continued turmoil in the credit markets. Yields in every credit segment rose to unprecedented spread levels over securities issued or backed by the U.S. government and major non-U.S. governments.

By November, the United States and all major European countries were officially in recessions. As the severity of the global recession became apparent, central banks responded with massive

Broad market index and fund performance

This comparison shows your fund□s performance in the context of broad market indexes for the six months ended 1/31/09. See page 6 and pages 12□13 for additional fund performance information. Index descriptions can be found on page 15.

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interest-rate cuts and announced economic stimulus packages in an effort to counteract the slowdown. The Federal Reserve Board [the Fed] reduced the benchmark federal funds rate to a target range of 0.25% to 0.0%, the European Central Bank lowered interest rates by 1.75 percentage points, and the Bank of England cut rates by 3.00 percentage points.

Against this backdrop, bond markets were highly correlated □ except for government bonds □ as many investors indiscriminately fled even high-quality mortgage-backed and corporate securities for U.S. Treasury bonds and international government bonds. Government bonds really were the only shelter from the global storm.

How did you position the fund amid such a difficult market environment?

I continued the strategy of keeping the fund□s exposure to corporate credit risk low while focusing on carefully selected securitized bonds. Starting as far back as late 2007, I began to find compelling opportunities among securitized investment vehicles such as Aaa-rated commercial mortgage-backed securities [CMBS], CMBS interest-only securities [CMBS IOs], and collateralized mortgage obligations [CMOs]. I believed that securities in all of these areas were trading at attractive levels versus traditional mortgage pass-through bonds. In my view, these securities carry minimal fundamental credit risk, and were purchased at levels that should

Comparison of top sector weightings

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

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reward fund shareholders over time. What's more, the CMOs I added were backed by U.S. government agencies, such as the Federal National Mortgage Association [Fannie Mae], and therefore also carried Aaa credit ratings. I maintained underweight positions in high-yield bonds and emerging-market bonds, and our high-yield holdings were concentrated on higher-quality high-yield bonds those rated Ba or B.

By way of background, mortgage pass-through bonds are collateralized by pools of similar types of mortgage loans in which the cash flows from homeowners' mortgage payments pass through a government-sponsored enterprise and on to the investor. CMOs typically use pools of pass-throughs, or mortgage loans themselves, as collateral, but carve the cash flows into different classes to meet the needs of various investors. CMBS are mortgage securities backed by commercial, rather than residential, mortgage loans. And CMBS IOs are securities derived from the interest portion of the underlying commercial mortgages.

Given the fund's high-quality bias, why did it underperform its benchmark and its Lipper peers?

The first reason the fund underper-formed is because the benchmark is highly concentrated in U.S. government securities one of the few market sectors that performed well during the period. Second, in light of the market

Credit quality overview

Credit qualities shown as a percentage of portfolio value as of 1/31/09. A bond rated Baa or higher (MIG3/VMIG3 or higher, for short-term debt) is considered investment grade. The chart reflects Moody's ratings; percentages may include bonds not rated by Moody's but considered by Putnam Management to be of comparable quality. Ratings will vary over time.

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upheaval that was prevalent throughout much of the period, investors that were experiencing extreme duress such as many banks, broker/dealers, and hedge fund operators continued to liquidate their Aaa-rated holdings. Essentially, as liquidity concerns intensified, investors sought to unload any holdings they could sell relatively easily to raise cash quickly. This selling pressure, in turn, drove prices down and yields up on higher-quality bonds. I would like to stress, however, that the fund did not underperform due to defaults. Compared to its Lipper peer group, the fund underperformed primarily because of lower relative exposure to U.S. Treasuries and developed-market sovereign debt.

I N T H E N E W S

Congress passed a $787 billion stimulus plan on February 13, 2009, with the goals of creating jobs, helping the unemployed, and cultivating economic growth. Tens of billions of dollars will be spent over the next two years to support Medicaid, help local school districts, and extend jobless benefits. Billions of dollars also will fund job-creating investments in "green" technologies, computerizing the nation's medical-records system, biomedical research, and public works construction projects. The balance of the package is devoted to tax cuts for businesses and individuals, including a $400 payroll tax holiday for workers (married couples filing jointly with adjustable gross income of less than $150,000 get up to $800). The plan is one of the largest of its kind since Franklin D. Roosevelt launched the New Deal in 1933.

What was your yield-curve strategy during the period, and how did it affect results?

I positioned the fund to benefit from a steeper yield curve by overweighting its allocation to short-term versus long-term bonds, which aided results. A steep yield curve reflects a market where short-term bond yields are substantially lower than yields on longer-term bonds. At the beginning of the period, I believed that the Fed would continue to reduce interest rates in the face of a weakening economy, which is exactly what happened. The Fed's activity, combined with the overall flight to government bonds, resulted in greater demand for shorter-term Treasuries, causing prices to rise, yields to fall, and the yield curve to become steeper. Pressure on longer-maturity bonds also contributed to the steeper curve. Prices declined and yields rose modestly in the 10- to 30-year part of the curve, as investors became concerned that the government would increase its

bond issuance to fund efforts to address the liquidity crisis and the recession.

What is your outlook for the economy, the credit markets, and the fund in the coming months, Bill?

In attempting to discern the future path of credit markets, I factor in both our economic forecast and our outlook for liquidity conditions. Unfortunately, I do not believe the bad news for the economy will abate anytime soon, which likely will keep corporate credit under pressure. On the liquidity front, I was encouraged during the final months of the period that corporate lending rates relaxed to levels not seen since before the credit crisis. However, shortly after the period ended, it appeared that this improvement had stalled as anxiety about banks' health crept back into the lending markets. A key measure in this regard is LIBOR, or the "London Interbank Offered Rate," which is the rate at which banks lend to each other on the London interbank market. After falling to slightly more than one percent in mid-January, the three-month LIBOR rate rose to 1.235% on February 4. The three-month LIBOR is still considerably below where it has been for much of the past few years, but it will bear watching since higher rates mean banks are more hesitant to lend to one another. Keeping this rate low will be critical to restoring a normal flow of credit between banks and consumers.

Clearly, there is still considerable work to be done before credit markets can return to normalcy, and periods of volatility remain likely. However, I'm pleased with the securitized bonds currently in the portfolio, and the fund is, in effect, being paid to wait as it continues to collect what I view to be very secure cash flows from these holdings. What's more, I believe these securities offer strong potential once the market environment stabilizes and investors begin to capitalize on the value embedded in them.

Thanks again, Bill, for sharing your time and insights with us.

The views expressed in this report are exclusively those of Putnam Management. 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.

Your fund's performance

This section shows your fund's performance for periods ended January 31, 2009, the end of the first half of its current fiscal year. In accordance with regulatory requirements for mutual funds, we also include performance as of the most recent calendar quarter-end. Performance should always be considered in light of a fund's investment strategy. Data represents past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return, net asset value, and market price will fluctuate, and you may have a gain or a loss when you sell your shares.

Fund performance Total return and comparative index results for periods ended 1/31/09

	NAV	Market price	Barclays Capital Government Bond Index	Lipper Flexible Income Funds (closed-end) category average*
Annual average Life of fund (since 2/29/88)	5.78%	5.26%	7.31%	5.21%
10 years	23.69	15.74	76.31	40.17
Annual average	2.15	1.47	5.83	3.16
5 years	–12.20	–8.49	29.81	–0.49
Annual average	–2.57	–1.76	5.36	–0.22
3 years	–22.35	–14.25	23.43	–11.29
Annual average	–8.09	–5.00	7.27	–4.05
1 year	–29.92	–24.69	7.03	–20.16
6 months	–27.93	–23.41	6.92	–18.52

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 6-month, 1-year, 3-year, 5-year, 10-year, and life-of-fund periods ended 1/31/09, there were 6, 6, 6, 6, 5, and 1 funds, respectively, in this Lipper category.

Fund price and distribution information For the six-month period ended 1/31/09

Distributions	
Number	6
Income	$0.258
Capital gains	—
Total	$0.258

Share value	NAV	Market price
7/31/08	$6.55	$5.97
1/31/09	4.46	4.32
Current yield (end of period)	**NAV**	**Market price**
Current dividend rate*	11.57%	11.94%

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

* Most recent distribution, 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 12/31/08

	NAV	Market price
Annual average Life of fund (since 2/29/88)	5.66%	4.68%
10 years	20.83	4.28
Annual average	1.91	0.42
5 years	−13.34	−16.85
Annual average	−2.82	−3.62
3 years	−24.27	−21.78
Annual average	−8.85	−7.86
1 year	−33.25	−31.64
6 months	−30.71	−32.12

Your fund’s management

Your fund’s Portfolio Managers are D. William Kohli, Michael Atkin, Rob Bloemker, Kevin Murphy, and Paul Scanlon.

Portfolio management fund ownership

The following table shows how much the fund's current Portfolio Managers have invested in the fund and in all Putnam mutual funds (in dollar ranges). Information shown is as of January 31, 2009, and January 31, 2008.

Trustee and Putnam employee fund ownership

As of January 31, 2009, 12 of the 13 Trustees of the Putnam funds owned fund shares. The following table shows the approximate value of investments in the fund and all Putnam funds as of that date by the Trustees and Putnam employees. These amounts include investments by the Trustees' and employees' immediate family members and investments through retirement and deferred compensation plans.

	Assets in the fund	Total assets in all Putnam funds
Trustees	$38,000	$31,000,000
Putnam employees	$15,000	$342,000,000

Other Putnam funds managed by the Portfolio Managers

D. William Kohli is also a Portfolio Manager of Putnam Diversified Income Trust, Putnam Global Income Trust, Putnam Absolute Return 100 Fund, Putnam Absolute Return 300 Fund, and Putnam Master Intermediate Income Trust.

Michael Atkin is also a Portfolio Manager of Putnam Diversified Income Trust, Putnam Global Income Trust, and Putnam Master Intermediate Income Trust.

Rob Bloemker is also a Portfolio Manager of Putnam U.S. Government Income Trust, Putnam American Government Income Fund, Putnam Income Fund, Putnam Diversified Income Trust, Putnam Global Income Trust, Putnam Absolute Return 100 Fund, Putnam Absolute Return 300 Fund, and Putnam Master Intermediate Income Trust.

Kevin Murphy is also a Portfolio Manager of Putnam Income Fund, Putnam Diversified Income Trust, Putnam Absolute Return 100 Fund, Putnam Absolute Return 300 Fund, and Putnam Master Intermediate Income Trust.

Paul Scanlon is also a Portfolio Manager of Putnam Diversified Income Trust, Putnam High Yield Trust, Putnam High Yield Advantage Fund, Putnam Floating Rate Income Fund, Putnam Absolute Return 100 Fund, Putnam Absolute Return 300 Fund, and Putnam Master Intermediate Income Trust.

D. William Kohli, Michael Atkin, Rob Bloemker, Kevin Murphy, and Paul Scanlon may also manage other accounts and variable trust funds advised by Putnam Management or an affiliate.

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.

Comparative indexes

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

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

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.

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, in respect of your fund, between Putnam Management's affiliate, Putnam Investments Limited ("PIL"), and Putnam Management. In this regard, the Board of Trustees, with the assistance of its Contract Committee consisting solely of Trustees who are not "interested persons" (as such term is defined in the Investment Company Act of 1940, as amended) of the Putnam funds (the "Independent Trustees"), requests and evaluates all information it deems reasonably necessary under the circumstances. Over the course of several months ending in June 2008, the Contract Committee met several times to consider the information provided by Putnam Management and other information developed with the assistance of the Board's independent counsel and independent staff. The Contract Committee reviewed and discussed key aspects of this information with all of the Independent Trustees. The Contract Committee recommended, and the Independent Trustees approved, the continuance of your fund's management and sub-management contracts, effective July 1, 2008. (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 such services, and

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

Management fee schedules and categories; total expenses

The Trustees reviewed the management fee schedules in effect for all Putnam funds, including fee levels and breakpoints, and the assignment of funds to particular fee categories. In reviewing fees and expenses, the Trustees generally focused their attention on material changes in circumstances — for example, changes in a fund’s size or investment style, changes in Putnam Management’s operating costs or responsibilities, or changes in competitive practices in the mutual fund industry — that suggest that consideration of fee changes might be warranted. The Trustees concluded that the circumstances did not warrant changes to the management fee structure of your fund, which had been carefully developed over the years, re-examined on many occasions and adjusted where appropriate. In this regard, the Trustees also noted that shareholders of your fund voted in 2007 to approve new management contracts containing an identical fee structure. The Trustees focused on two areas of particular interest, as discussed further below:

• **Competitiveness.** The Trustees reviewed comparative fee and expense information for competitive funds, which indicated that, in a custom peer group of competitive funds selected by Lipper Inc., your fund ranked in the 50th percentile in management fees and in the 50th percentile in total expenses as of December 31, 2007 (the first percentile being the least expensive funds and the 100th percentile being the most expensive funds). The Trustees expressed their intention to monitor this information closely to ensure that fees and expenses of your fund continue to meet evolving competitive standards.

• **Economies of scale.** Your fund currently has the benefit of breakpoints in its management fee that provide shareholders with significant economies of scale, which means that the effective management fee rate of the fund (as a percentage of fund assets) declines as the fund grows in size and crosses specified asset thresholds. Conversely, if the fund shrinks in size — as has been the case for many Putnam funds in recent years — these breakpoints result in increasing fee levels. 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 at current asset levels.

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

Investment performance

The quality of the investment process provided by Putnam Management represented a major factor in the Trustees’ evaluation of the quality of services provided by Putnam Management under your fund’s management contract. The Trustees were assisted in their review of the Putnam funds’ investment process and performance by the work of the Investment Oversight Coordinating Committee of the Trustees and the Investment Oversight

Committees of the Trustees, which had met on a regular monthly basis with the funds portfolio teams throughout the year. The

Trustees concluded that Putnam Management generally provides a high-quality investment process as measured by the experience and skills of the individuals assigned to the management of fund portfolios, the resources made available to such personnel, and in general the ability of Putnam Management to attract and retain high-quality personnel but also recognized that this does not guarantee favorable investment results for every fund in every time period. The Trustees considered the investment performance of each fund over multiple time periods and considered information comparing each funds performance with various benchmarks and with the performance of competitive funds.

While the Trustees noted the satisfactory investment performance of certain Putnam funds, they considered the disappointing investment performance of many funds in recent periods, particularly over periods in 2007 and 2008. They discussed with senior management of Putnam Management the factors contributing to such underperformance and actions being taken to improve performance. The Trustees recognized that, in recent years, Putnam Management has taken steps to strengthen its investment personnel and processes to address areas of underperformance, including recent efforts to further centralize Putnam Managements equity research function. In this regard, the Trustees took into consideration efforts by Putnam Management to improve its ability to assess and mitigate investment risk in individual funds, across asset classes, and across the complex as a whole. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these efforts and to evaluate whether additional changes to address areas of underperformance are warranted.

In the case of your fund, the Trustees considered that your funds common share cumulative total return performance at net asset value was in the following percentiles of its Lipper Inc. peer group (Lipper Flexible Income Funds (closed-end)) for the one-year, three-year and five-year periods ended December 31, 2007 (the first percentile being the best-performing funds and the 100th percentile being the worst-performing funds):

One-year period	38th
Three-year period	50th
Five-year period	43rd

(Because of the passage of time, these performance results may differ from the performance results for more recent periods shown elsewhere in this report.) Over the one-year, three-year and five-year periods ended December 31, 2007, there were 7, 7, and 6 funds, respectively, in your funds Lipper peer group.* Past performance is no guarantee of future returns.

As a general matter, the Trustees believe that cooperative efforts between the Trustees and Putnam Management represent the most effective way to address investment performance problems. The Trustees noted that investors in the Putnam funds have, in effect, placed their trust in the Putnam organization, under the oversight of the funds Trustees, to make appropriate decisions regarding the management of the funds. Based on the responsiveness of Putnam Management in the recent past to Trustee concerns about investment performance, the Trustees

* The percentile rankings for your funds common share annualized total return performance in the Lipper Flexible Income Funds (closed-end) category for the one-year, five-year, and ten-year periods ended December 31, 2008, were 72%, 72%, and 67%, respectively. Over the one-year, five-year, and ten-year periods ended December 31, 2008, your fund ranked 5th out of 6, 5th out of 6, and 4th out of 5 funds, respectively. Note that this more recent information was not available when theTrustees approved the continuance of your funds management contract.

concluded that it is preferable to seek change within Putnam Management to address performance shortcomings. In the Trustees view, the alternative of engaging a new investment adviser for an underperforming fund would entail significant disruptions and would not provide any greater assurance of improved investment performance.

Brokerage and soft-dollar allocations; other benefits

The Trustees considered various potential benefits that Putnam Management may receive in connection with the services it provides under the management contract with your fund. These include benefits related to brokerage and soft-dollar allocations, whereby a portion of the commissions paid by a fund for brokerage may be used to acquire research services that may be useful to Putnam Management in managing the assets of the fund and of other clients. The Trustees considered changes made in 2008, at Putnam Managements request, to the Putnam funds brokerage allocation policy, which expanded the permitted categories of brokerage and research services payable with soft dollars and increased the permitted soft dollar allocation to third-party services over what had been authorized in previous years. The Trustees indicated their continued intent to monitor the potential benefits associated with the allocation of fund brokerage and trends in industry practice to ensure that the principle of seeking best price and execution remains paramount in the portfolio trading process.

The Trustees annual review of your funds management contract arrangements also included the review of your funds investor servicing agreement with Putnam Fiduciary Trust Company (PFTC), which provides benefits to affiliates of Putnam Management. In the case of the investor servicing agreement, the Trustees considered that certain shareholder servicing functions were shifted to a third-party service provider by PFTC in 2007.

Comparison of retail and institutional fee schedules

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

Other information for shareholders

Important notice regarding share repurchase program

In October 2008, 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, 2008, up to 10% of the funds common shares outstanding as of October 7, 2008.

Important notice regarding delivery of shareholder documents

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

Proxy voting

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2008, are available in the Individual Investors section of www.putnam.com, and on the SECs Web site, www.sec.gov. If you have questions about finding forms on the SECs 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 Putnams 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 funds Forms N-Q on the SECs Web site at www.sec.gov. In addition, the funds Forms N-Q may be reviewed and copied at the SECs Public Reference Room in Washington, D.C. You may call the SEC at 1-800-SEC-0330 for information about the SECs Web site or the operation of the Public Reference Room.

Financial statements

A guide to financial statements

These sections of the report, as well as the accompanying Notes, constitute the funds financial statements.

The funds portfolio lists all the funds 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 funds net assets and share price are determined. All investment and noninvestment assets are added together. Any unpaid expenses and other liabilities are subtracted from this total. The result is divided by the number of shares to determine the net asset value per share. (For funds with preferred shares, the amount subtracted from total assets includes the liquidation preference of preferred shares.)

Statement of operations shows the funds net investment gain or loss. This is done by first adding up all the funds 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 funds net gain or loss for the fiscal period.

Statement of changes in net assets shows how the funds net assets were affected by the funds net investment gain or loss, by distributions to shareholders, and by changes in the number of the funds shares. It lists distributions and their sources (net investment income or realized capital gains) over the current reporting period and the most recent fiscal year-end. The distributions listed here may not match the sources listed in the Statement of operations because the distributions are determined on a tax basis and may be paid in a different period from the one in which they were earned. Dividend sources are estimated at the time of declaration. Actual results may vary. Any non-taxable return of capital cannot be determined until final tax calculations are completed after the end of the funds fiscal year.

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

The fund's portfolio 1/31/09 (Unaudited)

COLLATERALIZED MORTGAGE OBLIGATIONS (36.9%)*		Principal amount	Value
Banc of America Alternative Loan Trust Ser. 06-7,			
Class A2, 5.707s, 2036		$8,951,000	$4,206,970
Banc of America Commercial Mortgage, Inc.			
FRB Ser. 07-3, Class A3, 5.658s, 2049		343,000	217,246
Ser. 07-2, Class A2, 5.634s, 2049		977,000	732,457
Ser. 05-6, Class A2, 5.165s, 2047		2,118,000	1,967,854
Ser. 07-5, Class XW, Interest only (IO), 0.44s, 2051		218,526,370	3,366,337
Banc of America Commercial Mortgage, Inc. 144A			
Ser. 01-1, Class J, 6 1/8s, 2036		318,946	86,115
Ser. 01-1, Class K, 6 1/8s, 2036		718,000	255,894
Banc of America Funding Corp. FRB Ser. 06-D,			
Class 6A1, 5.981s, 2036		6,311,990	3,155,995
Banc of America Large Loan 144A FRB Ser. 05-MIB1, Class K,			
2.333s, 2022		1,187,000	901,475
Bayview Commercial Asset Trust 144A			
Ser. 07-1, Class S, IO, 2.477s, 2037		7,538,697	464,384
Ser. 07-5A, IO, 1.55s, 2037		1,938,932	146,195
Bear Stearns Alternate Trust			
FRB Ser. 06-5, Class 2A2, 6 1/4s, 2036		4,734,749	1,657,162
FRB Ser. 06-6, Class 2A1, 5.89s, 2036		2,303,995	1,199,878
Bear Stearns Commercial Mortgage Securities, Inc.			
FRB Ser. 00-WF2, Class F, 8.187s, 2032		481,000	350,530
Ser. 07-PW17, Class A3, 5.736s, 2050		3,745,000	2,282,989
Bear Stearns Commercial Mortgage Securities, Inc. 144A			
Ser. 07-PW18, Class X1, IO, 0.095s, 2050		121,235,397	693,576
Broadgate Financing PLC sec. FRB Ser. D, 3.57s, 2023			
(United Kingdom)	GBP	689,125	298,756
Citigroup Mortgage Loan Trust, Inc.			
IFB Ser. 07-6, Class 2A5, IO, 6.261s, 2037		$3,372,869	227,669
FRB Ser. 06-AR5, Class 2A5A, 6.198s, 2036		3,100,550	1,610,047
FRB Ser. 06-AR7, Class 2A2A, 5.648s, 2036		526,651	242,260
Citigroup/Deutsche Bank Commercial Mortgage Trust 144A			
Ser. 07-CD5, Class XS, IO, 0.077s, 2044		71,257,829	244,109

Commercial Mortgage Acceptance Corp. Ser. 97-ML1, IO,		
1.217s, 2017	1,035,443	27,180
Commercial Mortgage Pass-Through Certificates 144A FRB		
Ser. 05-F10A, Class A1, 0.433s, 2017	496,801	447,698
Countrywide Alternative Loan Trust		
IFB Ser. 04-2CB, Class 1A5, IO, 7.211s, 2034	3,301,962	165,098
Ser. 06-45T1, Class 2A2, 6s, 2037	1,946,927	849,955
Ser. 06-J8, Class A4, 6s, 2037	4,956,710	2,064,779
Ser. 07-HY5R, Class 2A1A, 5.544s, 2047	3,712,386	2,605,341
Countrywide Home Loans		
FRB Ser. 05-HYB7, Class 6A1, 5.704s, 2035	4,447,581	2,379,456
Ser. 05-2, Class 2X, IO, 1.16s, 2035	5,007,116	68,652
Countrywide Home Loans 144A IFB Ser. 05-R1, Class 1AS, IO,		
5.431s, 2035	5,306,328	358,177
Credit Suisse Mortgage Capital Certificates		
FRB Ser. 07-C4, Class A2, 5.81s, 2039	1,632,000	1,146,720
Ser. 07-C5, Class A3, 5.694s, 2040	21,660,000	13,555,385

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COLLATERALIZED MORTGAGE OBLIGATIONS (36.9%)* *cont.*	Principal amount	Value
CRESI Finance Limited Partnership 144A		
FRB Ser. 06-A, Class D, 1.189s, 2017	$167,000	$82,481
FRB Ser. 06-A, Class C, 0.989s, 2017	495,000	328,532
Criimi Mae Commercial Mortgage Trust 144A Ser. 98-C1, Class B,		
7s, 2033	1,935,130	1,822,436
CS First Boston Mortgage Securities Corp. 144A		
Ser. 98-C2, Class F, 6 3/4s, 2030	3,176,400	3,025,980
Ser. 98-C1, Class F, 6s, 2040	1,880,000	376,000
Ser. 02-CP5, Class M, 5 1/4s, 2035	691,000	34,550
FRB Ser. 05-TFLA, Class L, 2.183s, 2020	1,356,000	610,200
Deutsche Mortgage & Asset Receiving Corp. Ser. 98-C1, Class X,		
IO, 0.782s, 2031	8,661,425	166,579
DLJ Commercial Mortgage Corp. Ser. 98-CF2, Class B4,		
6.04s, 2031	552,708	303,989
DLJ Commercial Mortgage Corp. 144A Ser. 98-CF2, Class B5,		

5.95s, 2031		1,771,365	797,114
European Loan Conduit 144A FRB Ser. 22A, Class D, 3.043s, 2014 (Ireland) F	GBP	995,000	431,408
European Prime Real Estate PLC 144A FRB Ser. 1-A, Class D, 3.019s, 2014 (United Kingdom)	GBP	542,355	156,752
Fannie Mae			
IFB Ser. 06-70, Class SM, 51.515s, 2036		$404,963	548,033
IFB Ser. 07-1, Class NR, 44.541s, 2037		1,677,668	1,894,684
IFB Ser. 06-62, Class PS, 37.564s, 2036		1,193,362	1,576,354
IFB Ser. 07-W7, Class 1A4, 36.844s, 2037		1,103,758	1,296,916
IFB Ser. 06-104, Class GS, 32.591s, 2036		620,259	751,278
IFB Ser. 05-115, Class NQ, 23.477s, 2036		492,622	537,773
IFB Ser. 05-74, Class CP, 23.322s, 2035		856,701	911,365
IFB Ser. 06-8, Class WK, 23.139s, 2036		2,339,672	2,719,604
IFB Ser. 05-99, Class SA, 23.139s, 2035		997,960	1,152,651
IFB Ser. 05-95, Class OP, 19.152s, 2035		635,994	633,774
IFB Ser. 05-74, Class CS, 18.949s, 2035		976,665	1,098,450
IFB Ser. 05-95, Class CP, 18.698s, 2035		143,564	144,807
IFB Ser. 05-114, Class SP, 18.509s, 2036		616,408	646,298
IFB Ser. 05-83, Class QP, 16.382s, 2034		352,939	362,549
Ser. 383, Class 90, IO, 8s, 2037		123,701	14,214
Ser. 383, Class 91, IO, 8s, 2037		97,527	9,815
Ser. 386, Class 27, IO, 7 1/2s, 2037		146,429	16,173
Ser. 386, Class 28, IO, 7 1/2s, 2037		142,596	13,462
IFB Ser. 07-W6, Class 6A2, IO, 7.411s, 2037		1,900,229	178,242
IFB Ser. 06-90, Class SE, IO, 7.411s, 2036		4,534,147	463,979
IFB Ser. 04-51, Class XP, IO, 7.311s, 2034		3,838,294	323,556
IFB Ser. 03-66, Class SA, IO, 7.261s, 2033		1,696,177	136,753
IFB Ser. 08-7, Class SA, IO, 7.161s, 2038		8,413,211	951,273
Ser. 383, Class 86, IO, 7s, 2037		154,139	14,811
IFB Ser. 07-W6, Class 5A2, IO, 6.901s, 2037		2,940,828	253,499
IFB Ser. 07-W2, Class 3A2, IO, 6.891s, 2037		2,576,930	222,131
IFB Ser. 06-115, Class BI, IO, 6.871s, 2036		2,266,072	178,972
IFB Ser. 05-113, Class AI, IO, 6.841s, 2036		1,432,764	110,913
IFB Ser. 06-58, Class SQ, IO, 6.811s, 2036		5,193,501	499,638
IFB Ser. 08-36, Class YI, IO, 6.811s, 2036		3,646,306	317,819
IFB Ser. 06-60, Class SI, IO, 6.761s, 2036		2,755,001	261,725

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COLLATERALIZED MORTGAGE OBLIGATIONS (36.9%)* *cont.*	Principal amount	Value
Fannie Mae		
IFB Ser. 06-60, Class UI, IO, 6.761s, 2036	$1,118,545	$82,597
IFB Ser. 04-24, Class CS, IO, 6.761s, 2034	675,341	53,576
IFB Ser. 04-12, Class WS, IO, 6.761s, 2033	4,161,353	300,241
IFB Ser. 07-W7, Class 3A2, IO, 6.741s, 2037	3,213,407	334,008

IFB Ser. 06-60, Class DI, IO, 6.681s, 2035	3,417,261	283,974
IFB Ser. 03-130, Class BS, IO, 6.661s, 2033	4,933,321	414,261
IFB Ser. 03-34, Class WS, IO, 6.611s, 2029	4,702,985	362,026
IFB Ser. 08-10, Class LI, IO, 6.591s, 2038	4,752,214	433,402
Ser. 386, Class 14, IO, 6 1/2s, 2038	2,674,592	257,296
Ser. 383, Class 68, IO, 6 1/2s, 2037	161,205	14,956
Ser. 383, Class 70, IO, 6 1/2s, 2037	909,725	92,064
Ser. 383, Class 101, IO, 6 1/2s, 2022	141,944	13,992
Ser. 383, Class 102, IO, 6 1/2s, 2022	86,636	7,949
IFB Ser. 08-41, Class S, IO, 6.411s, 2036	4,781,782	395,057
IFB Ser. 05-42, Class SA, IO, 6.411s, 2035	8,008,533	566,218
IFB Ser. 07-39, Class LI, IO, 6.381s, 2037	5,294,586	494,625
IFB Ser. 07-23, Class SI, IO, 6.381s, 2037	658,928	44,612
IFB Ser. 07-54, Class CI, IO, 6.371s, 2037	2,263,822	192,504
IFB Ser. 07-39, Class PI, IO, 6.371s, 2037	1,732,638	119,623
IFB Ser. 07-28, Class SE, IO, 6.361s, 2037	417,437	35,278
IFB Ser. 07-22, Class S, IO, 6.361s, 2037	15,381,091	1,365,841
IFB Ser. 06-128, Class SH, IO, 6.361s, 2037	1,854,466	130,535
IFB Ser. 06-56, Class SM, IO, 6.361s, 2036	2,506,185	197,753
IFB Ser. 05-90, Class SP, IO, 6.361s, 2035	1,156,030	94,178
IFB Ser. 05-12, Class SC, IO, 6.361s, 2035	1,442,079	131,130
IFB Ser. 05-45, Class PL, IO, 6.361s, 2034	8,216,435	680,313
IFB Ser. 07-W5, Class 2A2, IO, 6.351s, 2037 F	897,768	92,705
IFB Ser. 07-30, Class IE, IO, 6.351s, 2037	5,333,490	604,791
IFB Ser. 06-123, Class CI, IO, 6.351s, 2037	4,297,527	357,713
IFB Ser. 06-123, Class UI, IO, 6.351s, 2037	4,368,401	382,235
IFB Ser. 07-15, Class BI, IO, 6.311s, 2037	7,287,320	610,109
IFB Ser. 06-126, Class CS, IO, 6.311s, 2037	3,095,203	242,169
IFB Ser. 06-16, Class SM, IO, 6.311s, 2036	4,208,518	390,475
IFB Ser. 05-95, Class CI, IO, 6.311s, 2035	2,273,829	205,767
IFB Ser. 05-84, Class SG, IO, 6.311s, 2035	3,753,967	328,472
IFB Ser. 05-57, Class NI, IO, 6.311s, 2035	965,252	72,174
IFB Ser. 05-29, Class SX, IO, 6.311s, 2035	2,665,359	200,915
IFB Ser. 05-57, Class DI, IO, 6.311s, 2035	1,644,580	134,691
IFB Ser. 05-7, Class SC, IO, 6.311s, 2035	9,552,385	668,037
IFB Ser. 04-92, Class S, IO, 6.311s, 2034	6,313,514	524,653
IFB Ser. 06-104, Class EI, IO, 6.301s, 2036	2,416,172	231,788
IFB Ser. 05-83, Class QI, IO, 6.301s, 2035	623,544	53,906
IFB Ser. 06-128, Class GS, IO, 6.291s, 2037	2,525,635	209,865
IFB Ser. 06-114, Class IS, IO, 6.261s, 2036	2,129,675	167,693
IFB Ser. 06-116, Class ES, IO, 6.261s, 2036	336,730	24,865
IFB Ser. 04-92, Class SQ, IO, 6.261s, 2034&n/td>		26,071,067

Mid-America Apartment Communities		[illegible]
United Dominion Realty Trust		[illegible]
		173,894,551
SELF STORAGE	2.5%	
Extra Space Storage		[illegible]
Sovran Self Storage		[illegible]
U-Store-It Trust		[illegible]
		23,682,149
SHOPPING CENTER	14.6%	
COMMUNITY CENTER	4.4%	

Cedar Shopping Centers		[illegible]
Heritage Property Investment Trust		[illegible]
Inland Real Estate Corp.		[illegible]
Urstadt Biddle Properties Class A		[illegible]
		41,088,945
REGIONAL MALL	10.2%	
Glimcher Realty Trust		[illegible]
Macerich Co.		[illegible]
Mills Corp.		[illegible]
		95,175,010
TOTAL SHOPPING CENTER		136,263,955
TOTAL COMMON STOCK		
(Identified cost $709,536,742)		1,073,861,713
PREFERRED STOCK	26.8%	
DIVERSIFIED	5.7%	
Colonial Properties Trust, 8.125%, Series D		[illegible]
Colonial Properties Trust, 7.62%, Series E		[illegible]
Crescent Real Estate Equities Co., 6.75%, Series A (Convertible) (a)		[illegible]
Digital Realty Trust, 8.50%, Series A		[illegible]
Entertainment Properties Trust, 9.50%, Series A		[illegible]
Entertainment Properties Trust, 7.75%, Series B		[illegible]
iStar Financial, 7.80%, Series F		[illegible]
iStar Financial, 7.65%, Series G		[illegible]
		53,767,689
HEALTH CARE	0.3%	
Health Care REIT, 7.625%, Series F		[illegible]
Omega Healthcare Investors, 8.375%, Series D		[illegible]
		2,796,750

		Number of Shares		Value
HOTEL	4.3%			
FelCor Lodging Trust, 8.00%, Series C		104,300	$	2,609,586
Highland Hospitality Corp., 7.875%, Series A		75,000		1,824,750
Host Marriott Corp., 10.00%, Series C		30,700		773,640
Innkeepers USA Trust, 8.00%, Series C		91,300		2,263,327
LaSalle Hotel Properties, 10.25%, Series A		1,000,000		25,720,000
Strategic Hotels & Resorts, 8.50%, Series A		10,000		253,750
Strategic Hotels & Resorts, 8.50%, Series A, 144A(b)		132,200		3,354,575
Strategic Hotels & Resorts, 8.25%, Series B		45,000		1,131,750
Sunstone Hotel Investors, 8.00%, Series A		111,000		2,809,965
				40,741,343
INDUSTRIAL	0.3%			
First Industrial Realty Trust, 7.25%, Series J		100,000		2,595,000
MORTGAGE	0.2%			
Newcastle Investment Corp., 9.75%, Series B		56,000		1,458,800
OFFICE	3.0%			
Brandywine Realty Trust, 7.375%, Series D		38,300		956,543
Cousins Properties, 7.50%, Series B		200,000		5,076,000
Highwoods Properties, 8.625%, Series A		13,195		14,514,500
HRPT Properties Trust, 8.75%, Series B		120,000		3,152,400
Kilroy Realty Corp., 7.50%, Series F		55,500		1,380,285
Maguire Properties, 7.625%, Series A		124,600		3,128,706
				28,208,434
OFFICE/INDUSTRIAL	0.0%			
PS Business Parks, 7.60%, Series L		5,400		136,080
RESIDENTIAL	3.4%			
APARTMENT	3.3%			
Apartment Investment & Management Co., 10.00%, Series R		820,000		20,852,600
Associated Estates Realty Corp., 8.70%, Series B		80,800		2,060,400
Home Properties, 9.00%, Series F		196,000		5,037,200
Mid-America Apartment Communities, 8.30%, Series H		138,100		3,493,930
				31,444,130
MANUFACTURED HOME	0.1%			
American Land Lease, 7.75%, Series A		22,000		543,400
TOTAL RESIDENTIAL				31,987,530
SHOPPING CENTER	9.6%			
COMMUNITY CENTER	4.5%			
Cedar Shopping Centers, 8.875%, Series A		61,000		1,635,715
Developers Diversified Realty Corp., 8.60%, Series F		1,039,400		26,504,700
Federal Realty Investment Trust, 8.50%, Series B		276,300		7,125,777
Urstadt Biddle Properties, 8.50%, Series C		24,000		2,616,000
Urstadt Biddle Properties, 7.50%, Series D		156,300		3,927,038
				41,809,230

FREE STANDING	0.1%			
Commercial Net Lease Realty, 9.00%, Series A		25,000	$	642,500
REGIONAL MALL	5.0%			
CBL & Associates Properties, 8.75%, Series B		430,000		21,891,300
CBL & Associates Properties, 7.375%, Series D		297,000		7,543,800
Glimcher Realty Trust, 8.75%, Series F		35,000		892,500
Glimcher Realty Trust, 8.125%, Series G		40,000		1,012,000
Mills Corp., 9.00%, Series B		53,300		1,223,235
Mills Corp., 9.00%, Series C		158,600		3,624,010
Mills Corp., 8.75%, Series E		84,000		1,894,200
Mills Corp., 7.875%, Series G		275,600		5,870,280
Simon Property Group, 8.75%, Series F		20,000		506,400
Simon Property Group, 8.375%, Series J		14,000		903,000
Taubman Centers, 8.30%, Series A		72,094		1,810,280
				47,171,005
TOTAL SHOPPING CENTER				89,622,735
TOTAL PREFERRED STOCK (Identified cost $241,864,481)				251,314,361

			Principal Amount	**Value**
COMMERCIAL PAPER	3.8%			
San Paolo U.S. Finance Co., 3.69%, due 4/3/06 (Identified cost $35,458,729)		$	35,466,000	35,458,729
TOTAL INVESTMENTS (Identified cost $986,859,952)	145.2%			1,360,634,803
OTHER ASSETS IN EXCESS OF LIABILITIES	1.1%			10,077,308
LIQUIDATION VALUE OF PREFERRED SHARES	(46.3)%			(434,000,000)
NET ASSETS APPLICABLE TO COMMON SHARES (Equivalent to $24.11 per share based on 38,856,074 shares of common stock outstanding)	100.0%		$	936,712,111

Note: Percentages indicated are based on the net assets applicable to common shares of the fund.

(a) 410,000 shares segregated as collateral for interest rate swap transactions.

(b) Resale is restricted to qualified institutional investors; equals 0.4% of net assets applicable to common shares.

Glossary of Portfolio Abbreviation

REIT	Real Estate Investment Trust

SCHEDULE OF INVESTMENTS (Continued)

March 31, 2006 (Unaudited)

Interest Rate Swaps

Counterparty		Notional Amount	Fixed Rate	Floating Rate(a) (reset monthly)	Termination Date	Unrealized Appreciation/ (Depreciation)
Fleet Global Markets	$	14,000,000	3.2120%	4.633		