PUTNAM PREMIER INCOME TRUST
Form N-CSRS
March 31, 2010

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
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Boston, Massachusetts 02109

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

Date of fiscal year end: July 31, 2010

Date of reporting period August 1, 2009 January 31, 2010

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:

A BALANCED APPROACH

Since 1937, when George Putnam created a diverse mix of stocks and bonds in a single, professionally managed portfolio, Putnam has championed the balanced approach.

A WORLD OF INVESTING

Today, we offer investors a world of equity, fixed-income, multi-asset, and absolute-return portfolios to suit a range of financial goals.

A COMMITMENT TO EXCELLENCE

Our portfolio managers seek superior results over time, backed by original, fundamental research on a global scale. We believe in the value of experienced financial advice, in providing exemplary service, and in putting clients first in all we do.

Putnam Premier Income Trust

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Message from the Trustees

Dear Fellow Shareholder:

Last year□s rally in both stocks and bonds helped investors recoup some of the losses in their portfolios, and Putnam□s shareholders were particularly well served. After such strong growth, we are not surprised that the markets paused at the start of 2010.

While no one believes that 2010 will be a repeat performance of 2009, we do feel that today□s markets □ based on an optimistic earnings outlook and growing evidence of a global economic recovery □ offer ample opportunities for active money management, which is something that Putnam does well.

If there is any lesson to be learned from the extraordinary volatility of the past year, it is the importance of positioning one□s portfolio to limit downside risk. It is our belief that the best way to achieve this is by diversifying across all asset classes and investment strategies, and by adhering to your plan in every type of market environment.

Lastly, we would like to thank all shareholders who took the time to vote by proxy on a number of issues, including shareholder-friendly management fee changes, presented at the Putnam Funds□ shareholder meetings. We would also like to

welcome new shareholders to the fund and thank all of our investors for your continued confidence in Putnam.

Respectfully yours,

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 fund□s 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 fund's 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 market's increasing complexity, Putnam's 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 fund's portfolio managers select from among these strategies, systematically building a diversified portfolio that seeks to carefully balance risk and return.

The fund's multi-strategy approach is designed to suit the expanding opportunities of today's global bond marketplace. As different factors drive the performance of the various fixed-income sectors, the fund's diversified strategy can take advantage of changing market leadership in pursuit of high current income.

Consider these risks before investing:

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. The use of derivatives involves special risks and may result in losses.

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 balances risk and return across multiple sectors.

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 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 21–69.

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Performance snapshot

Average annual total return (%) comparison as of 1/31/10

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.***

Interview with your fund's portfolio manager

D. William Kohli

Bill, how did Putnam Premier Income Trust perform for the six months ending January 31, 2010?

The fund performed exceptionally well, beating both its benchmark and its Lipper peer group average by substantial margins. Specifically, the fund returned 19.00% at net asset value versus a 1.98% return for the Barclays Capital Government Bond Index, and 9.98% for the average fund in the Lipper Flexible Income Funds [closed-end] category.

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

Amid clearer signs of economic recovery and an end to the recession, the fixed-income markets continued to rebound, with sectors that carry greater perceived credit risk — such as high-yield bonds, floating-rate bank loans, and emerging-market bonds — leading the way. As investors regained their appetite for risk, all sectors that offered a yield advantage over U.S. Treasuries outperformed Treasuries.

The Federal Reserve Board [Fed] and the U.S. Treasury maintained policies intended to foster market stability and investor confidence. The Fed continued to purchase government-agency mortgage-backed securities [agency MBSs] and held its target interest rate for overnight funds [the federal funds rate] in a range of 0.00% to 0.25%.

This comparison shows your fund's performance in the context of broad market indexes for the six months ended 1/31/10. See page 6 and pages 12–13 for additional fund performance information. Index descriptions can be found on page 14.

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Although the economys prospects brightened during the final months of the period, the Fed signaled that it expected to keep the federal funds rate low for an extended period of time.

What accounted for the funds strong relative performance?

Successful prepayment strategies, particularly our focus on interest cash flows from agency MBSs, were the greatest contributor to results during the period. Interest-only [IO] securities were priced as if mortgage prepayments would occur at a faster-than-normal pace. In actuality, prepayments were relatively slow, primarily due to declining home prices, which left approximately one in four U.S. mortgage holders with negative equity, making it impossible for them to refinance their mortgages. As investors re-entered the market and liquidity improved, IO securities benefited from both price appreciation and the attractive cash flows resulting from slow mortgage prepayments.

Two key strategies involving non-government-agency MBSs also drove returns. The first focused on super-senior Aaa-rated commercial MBSs, whose prices dropped to levels unjustified by fundamentals in the massive deleveraging of 2008 and subsequently rose as supply-and-demand dynamics improved during 2009. The second strategy emphasized non-agency residential MBSs, where dislocations between price and fundamental value began to normalize.

The funds yield-curve positioning was another positive. We positioned the portfolio to benefit from a steeper yield curve, believing that short-term rates would remain anchored by the historically low federal funds rate and longer-term rates would rise due to increased supply and inflation concerns. Late in the period, the yield spread

Credit qualities are shown as a percentage of portfolio value as of 1/31/10. A bond rated Baa or higher (Prime-3 or higher, for short-term debt) is considered investment grade. The chart reflects Moodys ratings; percentages may include bonds not rated by Moodys but considered by Putnam Management to be of comparable quality. Ratings will vary over time.

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Successful prepayment strategies, particularly our focus on interest cash flows from government-agency mortgage-backed securities, were the greatest contributor to results during the period.

D. William Kohli

between 2-year and 10-year Treasuries widened to an all-time record. Consequently, our strategy of overweighting the short end and underweighting the longer end of the yield curve bolstered the funds relative results. [The yield curve is a graphical depiction of the difference in yields between shorter- and longer-term bonds.] The fund also benefited from tactical duration adjustments as the yield curve changed during the period. [Duration is a key measure of a bond portfolios price sensitivity to interest rate changes.]

Lastly, our stake in higher-quality, Ba-rated high-yield corporate bonds, and security selection among emerging-market debt particularly in Russia, Argentina, and Venezuela provided a further boost to performance.

What changes did you make to the portfolio during the period?

As the CMBS sector rallied considerably, we reduced our exposure there in favor of nonagency residential MBSs and interest-only collateralized mortgage obligations [CMOs]. In prepayment-sensitive areas, yield spreads on agency MBS pass-through securities tightened to the point where we concluded that they were too richly priced, and we decreased the fund's holdings in this area. By way of background, CMOs are structured

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

* May include exposure to derivative instruments.

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mortgage-backed securities that use pools of mortgage pass-through bonds, or mortgage loans themselves, as collateral and carve the cash flows into different classes to meet the needs of various investors.

IN THE NEWS

Prices rose again in January, with the Consumer Price Index (CPI) climbing 0.2% for the month, but is deflation on its way? The surprise came in the "core" numbers that exclude more volatile food and energy prices. In January, the core numbers dropped for the first time in more than 25 years, due to falling home prices and high unemployment. This monthly dip is too isolated an incident to be deemed deflation, which can damage an economy as prices spiral downward, eroding companies' profitability and their ability to retain workers. Economists agree that mild, stable inflation is generally the healthiest state for consumer prices.

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

The U.S. economy is now growing at a moderate pace, thanks to government stimulus, better financial-market conditions, signs of a stabilizing labor market, and factories replenishing their inventories. While the short-term outlook is more favorable than it has been in a long time, we are not yet, in our view, at the threshold of robust and sustained economic growth. The economy is facing significant headwinds, especially from private sector deleveraging, a constrained banking system, and some concern about the possibility for deflation in 2010. Although monetary policy likely will remain accommodative for some time, economic stimulus from fiscal policy is unlikely to extend beyond 2010. All told, we expect the U.S. economy to expand this year, but more rapidly during the first half of the year than the second.

Despite uncertainty over near-term growth prospects, we believe compelling fixed-income investment opportunities are still available. While yield spreads in certain sectors — especially those that have benefited from overt government support —have tightened to unattractive levels, many other sectors still offer attractive values on a historical basis. Specifically, we remain focused on opportunities among interest-only CMOs, and the most liquid segments of the non-agency residential MBS, CMBS, and asset-backed securities markets. We are, however, proceeding cautiously and recognize the potential for short-term price volatility.

The outlook for interest rates is clouded by two countervailing trends that complicate our inflation forecast. Prices of raw materials are moving upward as the global economy recovers. Yet, reported core inflation [which excludes food and energy prices] is, in our view, likely to fall to zero, dragged down by depressed home prices. The Fed has indicated that it is poised to raise interest rates as soon as the data call for it. At this point, however, it is unclear which set of numbers will cause the central bank to act. Consequently, at period-end, the fund's interest-rate positioning was relatively neutral.

Thanks for updating us, Bill.

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. Current and future portfolio holdings are subject to risk.

Of special interest

We are pleased to report that effective October 2009, your fund's dividend was increased from $0.043 to $0.050 per share, and effective January 2010, the dividend was increased again to $0.053 per share. These dividend increases were made possible due to increased interest income resulting from higher yields on asset-backed securities, commercial mortgage-backed securities, and residential mortgage-backed securities.

Portfolio Manager **D. William Kohli** is Team Leader of Portfolio Construction 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 1987.

In addition to Bill, your fund's portfolio managers are Michael Atkin, Rob Bloemker, Kevin Murphy, and Paul Scanlon.

Your fund's performance

This section shows your fund's performance, price, and distribution information for periods ended January 31, 2010, 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.

Total return and comparative index results For periods ended 1/31/10

	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)	7.85%	7.35%	7.05%	7.11%
10 years	97.75	135.32	84.31	67.41

Annual average	7.06	8.93	6.31	5.22
5 years	30.83	39.32	27.90	23.11
Annual average	5.52	6.86	5.05	4.23
3 years	17.01	26.15	21.32	12.90
Annual average	5.38	8.05	6.65	4.09
1 year	61.63	62.09	1.75	37.62
6 months	19.00	23.35	1.98	9.98

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 1/31/10, there were 6, 5, 5, 5, 4, and 1 fund(s), respectively, in this Lipper category.

Fund price and distribution information For the six-month period ended 1/31/10

Distributions		
Number	6	
Income	$0.500	
Capital gains	□	
Total	$0.500	
Share value	NAV	Market price
7/31/09	$5.73	$5.37
1/31/10	6.29	6.11

Current yield (end of period)		
Current dividend rate*	10.11%	10.41%

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.

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Fund performance as of most recent calendar quarter
Total return for periods ended 12/31/09

	NAV	**Market price**
Annual average		
Life of fund (since 2/29/88)	7.78%	7.36%
10 years	92.15	133.70
Annual average	6.75	8.86
5 years	28.65	40.89
Annual average	5.17	7.10
3 years	14.44	26.67
Annual average	4.60	8.20
1 year	63.06	81.75
6 months	26.23	33.10

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Terms and definitions

Important terms

Total return shows how the value of the funds 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 funds 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.

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

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.

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 funds 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 funds 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).

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 2009, the Contract Committee met several times to consider the information provided by Putnam Management and other information developed with the assistance of the Boards independent counsel and independent staff. The Contract Committee reviewed and discussed key aspects of this information with all of the Independent Trustees. At the Trustees June 12, 2009 meeting, the Contract Committee recommended, and the Independent Trustees approved, the continuance of your funds management and sub-management contracts, effective July 1, 2009. (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, except as otherwise indicated below, 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 such 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 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 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 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. The general fee structure has been carefully developed over the years and re-examined on

many occasions and adjusted where appropriate. In this regard, the Trustees noted that shareholders of all funds voted by overwhelming majorities in 2007 to approve new management contracts containing identical fee schedules.

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 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. 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 67th percentile in management fees and in the 1st percentile in total expenses as of December 31, 2008 (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, as 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 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 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 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 fund’s performance with various benchmarks and with the performance of competitive funds.

The Trustees noted the disappointing investment performance of many of the funds for periods ended March 31, 2009. They discussed with senior management of Putnam Management the factors contributing to such underperformance and the 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 Putnam Management’s continuing efforts to strengthen the equity research function, recent changes in portfolio managers including increased accountability of individual managers rather than teams, recent changes in Putnam Management’s approach to incentive compensation, including emphasis on top quartile performance over a rolling three-year period, and the recent arrival of a new chief investment officer. The Trustees also recognized the substantial improvement in performance of many funds since the implementation of those changes. 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 fund’s 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 March 31, 2009 (the first percentile being the best-performing funds and the 100th percentile being the worst-performing funds):

One-year period	72nd
Three-year period	72nd
Five-year period	72nd

Over the one-year, three-year and five-year periods ended March 31, 2009, there were 6, 6, and 6 funds, respectively, in your fund’s Lipper peer group. Past performance is no guarantee of future results.

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 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 a change made, at Putnam Managements request, to the Putnam funds brokerage allocation policy commencing in 2009, which increased the permitted soft dollar allocation to third-party services over what had been authorized in previous years. The Trustees noted that a portion of available soft dollars continue to be allocated to the payment of fund expenses, although the amount allocated for this purpose has declined in recent years. The Trustees indicated their continued intent to monitor regulatory developments in this area with the assistance of their Brokerage Committee and also 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 also included the review of the investor servicing agreement with Putnam Fiduciary Trust Company, which agreement provides benefits to an affiliate of Putnam Management.

Comparison of retail and institutional
fee schedules

The information examined by the Trustees as part of their annual contract review has included for many years information regarding fees charged by Putnam Management and its affiliates to institutional clients such as defined benefit pension plans, college endowments, etc. This information included 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 September 2009, 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, 2009, up to 10% of the fund's common shares outstanding as of October 7, 2009.

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, 2009, are available in the Individual Investors section of putnam.com, and on the SEC's Web site, www.sec.gov. If you have questions about finding forms on the SEC's Web site, you may call the SEC at 1-800-SEC-0330. You may also obtain the Putnam funds' proxy voting guidelines and procedures at no charge by calling Putnam's Shareholder Services at 1-800-225-1581.

Fund portfolio holdings

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

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 January 31, 2010, Putnam employees had approximately $294,000,000 and the Trustees had approximately $45,000,000 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.

Financial statements

A guide to financial statements

These sections of the report, as well as the accompanying Notes, constitute the fund's financial statements.

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

Statement of assets and liabilities shows how the fund's net assets and share price are determined. All investment and noninvest-ment 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 period.

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

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

The fund's portfolio 1/31/10 (Unaudited)

MORTGAGE-BACKED SECURITIES (52.4%)*	**Principal amount**	**Value**
Banc of America Alternative Loan Trust Ser. 06-7,		
Class A2, 5.707s, 2036	$8,980,000	$6,452,130
Banc of America Commercial Mortgage, Inc.		
FRB Ser. 07-3, Class A3, 5.658s, 2049	343,000	341,880
Ser. 07-2, Class A2, 5.634s, 2049	977,000	989,767
Ser. 07-5, Class XW, IO, 0.434s, 2051	216,771,765	4,422,144
Banc of America Commercial Mortgage, Inc. 144A		
Ser. 01-1, Class J, 6 1/8s, 2036	318,946	242,399
Ser. 01-1, Class K, 6 1/8s, 2036	718,000	415,644
Banc of America Funding Corp.		
FRB Ser. 06-D, Class 6A1, 5.849s, 2036	5,808,814	3,311,024
FRB Ser. 07-6, Class A1, 0.521s, 2037	1,400,659	952,514

Banc of America Large Loan 144A FRB Ser. 05-MIB1,		
Class K, 2.233s, 2022	1,187,000	503,313
Bayview Commercial Asset Trust 144A		
Ser. 07-5A, IO, 3.047s, 2037	1,867,715	158,382
Ser. 07-1, Class S, IO, 2.757s, 2037	7,002,314	487,361
Bear Stearns Alternate Trust		
FRB Ser. 06-5, Class 2A2, 6 1/4s, 2036	4,356,036	2,896,764
FRB Ser. 05-10, Class 25A1, 5.841s, 2036	2,952,447	1,668,132
FRB Ser. 07-1, Class 21A1, 5.556s, 2047	2,935,196	1,981,257
Bear Stearns Alternate Trust 144A FRB Ser. 06-7,		
Class 1AE4, 5.97s, 2046	14,903,196	9,798,851
Bear Stearns Alternate Trust II FRB Ser. 07-1,		
Class 1A1, 5.964s, 2047	13,643,330	7,926,455
Bear Stearns Asset Backed Securities Trust FRB		
Ser. 07-AC4, Class A1, 0.531s, 2037	3,603,765	1,801,882
Bear Stearns Commercial Mortgage Securities, Inc.		
FRB Ser. 00-WF2, Class F, 8.172s, 2032	481,000	395,529
Ser. 07-PW17, Class A3, 5.736s, 2050 F	3,745,000	3,628,308
Bear Stearns Commercial Mortgage Securities, Inc.		
144A Ser. 07-PW18, Class X1, IO, 0.095s, 2050	120,697,215	878,374
Citigroup Mortgage Loan Trust, Inc.		
FRB Ser. 06-AR5, Class 2A5A, 6.19s, 2036	2,715,351	1,574,847
FRB Ser. 05-10, Class 1A5A, 5.718s, 2035	258,557	177,112
FRB Ser. 05-10, Class 1A4A, 5.583s, 2035	2,753,063	1,748,195
FRB Ser. 06-AR7, Class 2A2A, 5.578s, 2036	1,619,861	988,115
Citigroup/Deutsche Bank Commercial Mortgage Trust		
144A Ser. 07-CD5, Class XS, IO, 0.077s, 2044	70,940,805	477,440
Commercial Mortgage Acceptance Corp. Ser. 97-ML1,		
IO, 1.217s, 2017	1,009,781	27,543
Commercial Mortgage Pass-Through Certificates 144A		

FRB Ser. 05-F10A, Class A1, 0.333s, 2017	449,065	445,522
Countrywide Alternative Loan Trust		
Ser. 06-45T1, Class 2A2, 6s, 2037	5,912,119	3,958,348
Ser. 06-45T1, Class 2A5, 6s, 2037	1,468,634	1,035,387
Ser. 06-J8, Class A4, 6s, 2037	4,506,607	2,568,766
Ser. 06-41CB, Class 1A7, 6s, 2037	1,602,036	1,089,384
Ser. 05-80CB, Class 2A1, 6s, 2036	3,727,183	2,647,465

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MORTGAGE-BACKED SECURITIES (52.4%)* *cont.*	**Principal amount**	**Value**
Countrywide Alternative Loan Trust		
FRB Ser. 07-HY4, Class 3A1, 5.724s, 2047	$2,018,359	$1,112,519
Ser. 07-HY5R, Class 2A1A, 5.544s, 2047	3,205,162	2,767,081
Ser. 07-8CB, Class A1, 5 1/2s, 2037	1,953,200	1,389,213
FRB Ser. 06-23CBC, Class 2A5, 0.631s, 2036	6,284,788	3,142,394
FRB Ser. 06-18CB, Class A7, 0.581s, 2036	5,284,323	3,223,437
FRB Ser. 06-24CB, Class A13, 0.581s, 2036	2,036,966	1,269,284
FRB Ser. 06-OC10, Class 2A2A, 0.411s, 2036	4,050,000	2,080,229
FRB Ser. 07-HY7C, Class A1, 0.371s, 2037	4,084,695	2,011,712
Countrywide Home Loans		
FRB Ser. 05-HYB7, Class 6A1, 5.611s, 2035	4,136,696	2,854,320
FRB Ser. 05-HYB4, Class 2A1, 4.837s, 2035	9,355,507	6,969,853
Countrywide Home Loans 144A		
IFB Ser. 05-R1, Class 1AS, IO, 5.661s, 2035	4,601,131	535,896
Ser. 06-R1, Class AS, IO, 5.644s, 2036	3,111,894	342,308
Ser. 05-R3, Class AS, IO, 5.571s, 2035	987,513	111,052
FRB Ser. 06-R2, Class AS, IO, 5.49s, 2036	5,100,246	532,999
Credit Suisse Mortgage Capital Certificates		
Ser. 07-1, Class 1A1A, 5.942s, 2037	1,095,851	690,386
Ser. 07-3, Class 1A1A, 5.837s, 2037	1,413,913	904,904
FRB Ser. 06-C3, Class A3, 5.826s, 2038	7,798,000	6,853,706
FRB Ser. 07-C4, Class A2, 5.808s, 2039	1,632,000	1,666,748
Ser. 07-C5, Class A3, 5.694s, 2040	21,660,000	21,017,307
Ser. 06-C4, Class A3, 5.467s, 2039	2,852,000	2,531,287

CRESI Finance Limited Partnership 144A			
FRB Ser. 06-A, Class D, 1.031s, 2017		167,000	71,810
FRB Ser. 06-A, Class C, 0.831s, 2017		495,000	262,350
Criimi Mae Commercial Mortgage Trust 144A			
Ser. 98-C1, Class B, 7s, 2033		1,162,809	1,139,553
CS First Boston Mortgage Securities Corp. 144A			
Ser. 98-C2, Class F, 6 3/4s, 2030		3,176,400	2,747,562
Ser. 98-C1, Class F, 6s, 2040		1,880,000	1,842,400
Ser. 02-CP5, Class M, 5 1/4s, 2035		691,000	62,795
FRB Ser. 05-TFLA, Class L, 2.083s, 2020		1,356,000	1,017,000
Deutsche Alternative Securities, Inc. FRB			
Ser. 06-AR3, Class A1, 0.421s, 2036		3,094,726	1,421,761
Deutsche Mortgage & Asset Receiving Corp.			
Ser. 98-C1, Class X, IO, 0.787s, 2031		7,830,866	161,354
DLJ Commercial Mortgage Corp. Ser. 98-CF2, Class B4,			
6.04s, 2031		552,708	281,881
European Loan Conduit 144A FRB Ser. 22A, Class D,			
1.466s, 2014 (United Kingdom)	GBP	995,000	318,201
European Prime Real Estate PLC 144A FRB Ser. 1-A,			
Class D, 1.466s, 2014 (United Kingdom)	GBP	541,855	60,650
Fannie Mae			
IFB Ser. 06-62, Class PS, 38.516s, 2036		$1,034,584	1,591,606
IFB Ser. 05-99, Class SA, 23.721s, 2035		845,011	1,153,193
IFB Ser. 05-74, Class DM, 23.538s, 2035		740,913	1,067,462
IFB Ser. 05-95, Class OP, 19.643s, 2035		581,221	770,310
IFB Ser. 05-83, Class QP, 16.794s, 2034		309,797	386,816
IFB Ser. 03-44, Class SI, IO, 7.769s, 2033		3,192,544	583,514

MORTGAGE-BACKED SECURITIES (52.4%)* *cont.*	**Principal amount**	**Value**
Fannie Mae		
IFB Ser. 06-90, Class SE, IO, 7.569s, 2036	$3,874,863	$701,451
IFB Ser. 03-W6, Class 5S, IO, 7.369s, 2042	12,815,675	1,991,160
IFB Ser. 08-7, Class SA, IO, 7.319s, 2038	7,381,110	1,278,084
IFB Ser. 09-46, Class SB, IO, 7.069s, 2039	280,075	29,412
IFB Ser. 09-46, Class SC, IO, 7.069s, 2039	280,366	29,448
IFB Ser. 06-43, Class SU, IO, 6.969s, 2036	609,263	90,300
IFB Ser. 06-24, Class QS, IO, 6.969s, 2036	1,389,264	262,127
IFB Ser. 06-79, Class DI, IO, 6.919s, 2036	2,950,748	474,894
IFB Ser. 06-60, Class SI, IO, 6.919s, 2036	5,666,489	895,223
IFB Ser. 04-24, Class CS, IO, 6.919s, 2034 **F**	595,900	92,202
IFB Ser. 04-12, Class WS, IO, 6.919s, 2033	3,564,697	460,309
IFB Ser. 03-67, Class KS, IO, 6.869s, 2031	131,361	15,223
IFB Ser. 03-76, Class GS, IO, 6.869s, 2031	71,598	9,217
IFB Ser. 03-130, Class BS, IO, 6.819s, 2033	4,167,448	577,708
IFB Ser. 08-10, Class WI, IO, 6.769s, 2038	248,835	25,729
IFB Ser. 03-34, Class WS, IO, 6.769s, 2029	3,858,122	468,357
IFB Ser. 08-41, Class S, IO, 6.569s, 2036	4,070,741	576,895
IFB Ser. 05-42, Class SA, IO, 6.569s, 2035	6,732,984	815,536
IFB Ser. 05-48, Class SM, IO, 6.569s, 2034	1,581,844	224,772
IFB Ser. 07-54, Class CI, IO, 6.529s, 2037	1,951,814	294,804
IFB Ser. 09-85, Class JS, IO, 6.519s, 2039	2,139,032	314,649
IFB Ser. 08-34, Class SM, IO, 6.519s, 2038	3,498,455	513,998
IFB Ser. 07-28, Class SE, IO, 6.519s, 2037	357,326	53,337
IFB Ser. 07-24, Class SD, IO, 6.519s, 2037	1,527,185	215,635
IFB Ser. 07-2, Class SM, IO, 6.519s, 2037	220,293	23,922
IFB Ser. 06-79, Class SI, IO, 6.519s, 2036	852,946	113,504
IFB Ser. 05-90, Class GS, IO, 6.519s, 2035	263,802	40,313
IFB Ser. 05-90, Class SP, IO, 6.519s, 2035	967,604	122,685
IFB Ser. 05-12, Class SC, IO, 6.519s, 2035	1,194,456	164,958
IFB Ser. 05-18, Class SK, IO, 6.519s, 2035	255,324	25,435
IFB Ser. 05-45, Class PL, IO, 6.519s, 2034	7,240,868	1,068,129
IFB Ser. 07-30, Class IE, IO, 6.509s, 2037	4,793,864	872,806
IFB Ser. 06-123, Class CI, IO, 6.509s, 2037	3,642,058	535,968
IFB Ser. 06-126, Class CS, IO, 6.469s, 2037	2,715,906	373,005
IFB Ser. 06-31, Class SX, IO, 6.469s, 2036	3,675,798	575,950
IFB Ser. 06-33, Class JS, IO, 6.469s, 2036	1,142,405	156,982
IFB Ser. 06-36, Class SP, IO, 6.469s, 2036	1,922,524	235,953
IFB Ser. 06-22, Class QM, IO, 6.469s, 2036	259,703	44,565

IFB Ser. 06-23, Class SP, IO, 6.469s, 2036	1,606,102	247,874
IFB Ser. 06-16, Class SM, IO, 6.469s, 2036	3,572,069	545,655
IFB Ser. 07-75, Class EI, IO, 6.469s, 2036	2,293,391	340,605
IFB Ser. 05-95, Class CI, IO, 6.469s, 2035	2,039,311	329,768
IFB Ser. 05-84, Class SG, IO, 6.469s, 2035	3,202,882	480,574
IFB Ser. 05-57, Class NI, IO, 6.469s, 2035	844,390	126,098
IFB Ser. 06-3, Class SB, IO, 6.469s, 2035	9,509,639	1,581,344
IFB Ser. 05-29, Class SX, IO, 6.469s, 2035	2,271,151	323,442
IFB Ser. 05-57, Class DI, IO, 6.469s, 2035	1,419,774	189,206
IFB Ser. 05-7, Class SC, IO, 6.469s, 2035	8,465,227	997,441
IFB Ser. 04-92, Class S, IO, 6.469s, 2034	5,144,249	696,263
IFB Ser. 06-104, Class EI, IO, 6.459s, 2036	2,095,138	306,031

MORTGAGE-BACKED SECURITIES (52.4%)* *cont.*	**Principal amount**	**Value**
Fannie Mae		
IFB Ser. 05-83, Class QI, IO, 6.459s, 2035	$572,080	$108,498
IFB Ser. 06-128, Class GS, IO, 6.449s, 2037	2,134,726	315,485
IFB Ser. 05-92, Class SC, IO, 6.449s, 2035	1,639,307	232,543
IFB Ser. 05-73, Class SD, IO, 6.449s, 2035	272,093	47,981