

PUTNAM MUNICIPAL OPPORTUNITIES TRUST
Form N-CSR
June 28, 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: (811-07626)

Exact name of registrant as specified in charter: Putnam Municipal Opportunities 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.
Ropes & Gray LLP
One International Place
Boston, Massachusetts 02110

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

Date of fiscal year end: April 30, 2010

Date of reporting period: May 1, 2009 - April 30, 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:

Putnam Municipal Opportunities Trust

Annual report

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Message from the Trustees

Dear Fellow Shareholder:

Volatility returned to global equity markets this spring. This change was to be expected after the remarkable advances of the past year, but the headlines from Europe added fuel.

If 2009 can be characterized as a rebound from the liquidity crisis, the investment environment for 2010 is shaping up to be somewhat more difficult, one that requires analysis, insight, innovation, and expertise.

These attributes form the very core of Putnam's analytic, active-management approach, which seeks to weather short-term periods of market dislocation, while preparing for the expected return of a more positive investing environment. With volatility rising in fixed-income markets, bond investors should benefit from active management as well.

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, which went into effect earlier this year. We would also like to welcome new shareholders to the fund, and thank all of our investors for your continued confidence in Putnam.

About the fund

Potential for income exempt from federal income tax

Investing in municipal bonds through a fund such as Putnam Municipal Opportunities Trust can help address a significant challenge: taxes on your investment income. While the stated yields on municipal bonds are usually lower than those of taxable bonds, the income most of these bonds pay has the advantage of being exempt from federal tax.

Municipal bonds are typically issued by states and local municipalities to raise funds for building and maintaining public facilities. The bonds are backed by the issuing city or town, by revenues collected from usage fees, or by state tax revenues. Depending on the type of backing, the bonds will have varying degrees of credit risk, which is the risk that the issuer will not be able to repay the bond.

Many municipal bonds are not rated by independent rating agencies such as Standard & Poor's and Moody's. This is primarily because many issuers decide not to pursue a rating that might be below investment grade. As a result, portfolio managers must do additional research to determine whether these bonds are prudent investments.

Evaluating a bond's credit risk is one area in which Putnam has expertise. Putnam's research team analyzes each issue in depth and assigns non-rated bonds an agency-equivalent Putnam rating. This analysis helps the team identify bonds with attractive risk/return profiles among bonds not rated by agencies.

Once the fund has invested in a bond, the portfolio managers continue to monitor developments that affect the overall bond market, the sector, and the issuer of the bond. Typically, lower-rated bonds are reviewed more frequently because of their greater potential risk.

The goal of this research and active management is to stay a step ahead of the industry, to pinpoint opportunities, and to adjust fund holdings for the benefit of investors.

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

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.

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

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Performance snapshot

Annualized total return (%) comparison as of 4/30/10

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 5 and 10-11 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.

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Interview with your fund's portfolio manager

Thalia Meehan

During the fund's fiscal year, municipal bonds experienced some volatility but still posted strong gains for the reporting period. How did the fund perform for the 12-month period, Thalia?

For the fiscal year ended April 30, 2010, Putnam Municipal Opportunities Trust's total return at net asset value was 22.93%, which surpassed the 22.67% average return of its peers in the Lipper General Municipal Debt Funds [leveraged closed-end]. The fund strongly outperformed its benchmark, the Barclays Capital Municipal Bond Index, which returned 8.85% for the same period. It is important to note that the benchmark is composed of a narrower range of municipal bonds than the fund can invest in. Also, as an unmanaged index, the benchmark does not use leveraging strategies.

During the fund's fiscal year, the financial markets experienced a broad-based recovery as investors, convinced that the worst market correction in decades was over, began to reallocate money away from cash and other safe assets into longer-term and higher-risk investments. As the credit markets stabilized and risk tolerance increased, strong demand from yield-hungry investors pushed bond prices higher in the more credit-sensitive sectors of the municipal bond market — driving their prices up and yields down. Consequently, these sectors of the municipal bond

market outperformed their higher-quality brethren for the reporting period.

By early 2010, however, the financial markets encountered new concerns — chief among them the growing European debt crisis and fears that it might derail the global economic recovery. Investors were also uncertain about the inevitable withdrawal of stimulus funds around the globe, and how this process would affect growth. Given such headwinds,

Broad market index and fund performance

This comparison shows your fund's performance in the context of broad market indexes for the 12 months ended 4/30/10. See pages 4 and 10-11 for additional fund performance information. Index descriptions can be found on page 12.

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municipal bonds, like most asset classes, experienced increased price volatility but still delivered positive returns for the 12-month period.

Did the fund's leveraging strategies play a positive role in its performance?

The Fed's [Federal Reserve Board's] decision to hold the benchmark federal funds rate at a 0% to 0.25% range since December 2008, a remarkable 16 months through the end of the reporting period, has been very advantageous for the fund's leveraging strategies. Because short-term interest rates were at historical lows throughout the reporting period, the fund was able to borrow at prevailing short-term interest rates while investing the proceeds in higher-yielding, long-term bonds to augment the flow of income to the fund's common shareholders. The effect was a more positive cash flow for the fund's common shareholders. Consequently, the fund's monthly distribution rate increased from \$0.0628 to \$0.0663 per share in October 2009.

What other factors influenced the municipal bond market during the period?

Build America Bonds — or "BABs" — continued to have a significant impact on the municipal market. The program began more than a year ago as a part of the federal government's stimulus package and allows states and municipalities to issue bonds on the taxable market, providing them access to a wider range of investors. The federal government in turn subsidizes a portion of the interest payments, currently 35%, and the result has been significantly lower financing costs for states. To date, over \$90 billion BABs have been issued.

The end result of the BABS program has been a reduction in the supply of municipal bonds in the market, which has led to improved supply/demand dynamics. The program has been popular with issuers and investors alike. Several proposals to extend the program further are being debated in Washington. We expect the program to be extended, albeit at a lower subsidy, and will continue to monitor the situation.

Credit quality overview

Credit qualities are shown as a percentage of net assets as of 4/30/10. 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 or derivatives not rated by Moody's but rated by Standard & Poor's or, if unrated by S&P, by Fitch, and then included in the closest equivalent Moody's rating. Ratings will vary over time.

Credit qualities are included for portfolio securities and are not included for derivative instruments and cash.

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By early 2010, the financial markets encountered new concerns chief among them the growing European debt crisis.

Thalia Meehan

The debate and ultimate passage of health-care reform this past March also provided an interesting backdrop for municipal bond investors. We think that the legislation should be positive for the tax-exempt bond market, because it contains a 3.8% tax on capital gains, unearned interest, and dividends for individuals with income over \$200,000 or households with income over \$250,000. Municipal bond income would not be subject to the tax, thereby increasing the relative attractiveness of tax-exempt funds. This is in addition to the increases for the top federal tax rate, the dividend tax rate, and the long-term capital gains rate, which will result when the Bush Administration tax cuts expire at the end of 2010 making municipal bonds even more attractive for tax-sensitive investors.

The fund's holdings in health care are primarily concentrated in not-for-profit hospitals and long-term care. We think these sectors should benefit as the health-care law expands demand by extending coverage to an additional 32 million Americans, leading to fewer uninsured patients draining resources without producing revenue. Although hospitals will face more regulations and some payment cuts, the increase in volume of insured individuals could offset the negative impacts of the new health-care laws.

Which holdings contributed to the fund's performance over the period?

The fund's position in **Clark County, Nevada Limited Taxation General Obligation Tender option bonds** performed well. With improvement in the economic outlook, Nevada's general obligation bonds, which are backed by tax revenues rather than a specific project or entity, have appreciated in price. These bonds are tender option bonds, otherwise known as "inverse floaters," which means that the coupon income on the bonds changes inversely with short-term interest rates. As

Portfolio allocation by state

| STATE | PERCENTAGE OF FUND'S NET ASSETS |
|---------------|---------------------------------|
| California | 19.7% |
| Texas | 16.8 |
| Nevada | 9.6 |
| Massachusetts | 8.5 |
| Ohio | 7.9 |
| Illinois | 6.0 |
| New Jersey | 6.0 |
| Florida | 5.3 |
| New York | 5.2 |

Top ten state allocations are shown as a percentage of the fund's net assets as of 4/30/10. Investments in Puerto Rico represented 6.1% of net assets. Holdings will vary over time.

short-term municipal bond rates have fallen, the coupon income on these securities has risen.

Another positive contributor was the fund's investments in **New Jersey Economic Development Authority Cigarette Tax bonds**, which are rated Baa2 and BBB by Moody's and Standard & Poor's, respectively. Backed by cigarette tax revenues, these bonds performed well during the period, as investments with lower-investment-grade or below-investment-grade ratings rallied strongly in the aftermath of the historical sell-off in late 2008 and early 2009.

Which holdings detracted from performance?

The fund's investments in **Tolomato (Florida) Community Development District bonds** proved detrimental to performance. These bonds, which were issued to finance infrastructure improvements to a housing development in the Jacksonville area, underperformed as the housing market, particularly in Florida, continued to be challenged by rising delinquencies and foreclosures, as well as an excess supply of homes in the state. The **Pennsylvania Economic Development Financing Authority Resource Recovery revenue bonds** for the **Northampton Generating Project** underperformed due to the increased cost of waste coal and other fuels used in producing electricity. With the outlook for these bonds deteriorating, we sold the position during the period.

What is your outlook for the municipal bond market and the fund for the balance of 2010?

Although the economy appears to be in better condition today than it was six months or a year ago, there are a number of areas of potential concern. Unemployment remains high, while consumer and business spending have been sporadic, and as a result, many states have continued to face significant budget shortfalls. The real risk this poses to municipal bond investors is not of defaults, the likelihood of which we believe remains extremely low, but of rising interest rates and falling prices. Should further signs of growth or employment gains materialize later this year, the Fed may shift into a tightening

Comparison of top sector weightings

This chart shows how the fund's top sector weightings have changed over the past six months. Weightings are shown as a percentage of net assets. Holdings will vary over time. Sector concentrations listed after the portfolio schedule in the Financial Statements section of this shareholder report are exclusive of insured status and any interest accruals and may differ from the summary information above.

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mode and raise interest rates to head off inflationary pressures.

That said, there are a number of countervailing forces helping to keep interest rates stable near term, not the least of which is the reduced supply of tax-free securities on the market as a result of the BABs program. In addition, the prospect of tax-rate increases associated with the recent health-care bill and the expiration of the Bush Administration's tax cuts on January 1, 2011, has helped to buoy demand for municipal bonds. Over the next few months, as states begin to pass budgets for their upcoming fiscal years, negative headlines could lead to patches of volatility. With regard to the fund, we're seeking to manage this risk through our research-driven approach, by carefully scrutinizing the municipal market for diverse investment opportunities at attractive valuations.

Thank you, Thalia, for your time and insights today.

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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.

Portfolio Manager **Thalia Meehan** is Team Leader of Tax Exempt Fixed Income at Putnam. She holds a B.A. from Williams College. A CFA charterholder, Thalia joined Putnam in 1989 and has been in the investment industry since 1983.

In addition to Thalia, your fund's portfolio managers are Paul Drury and Susan McCormack. Brad Libby departed the fund's portfolio management team in December 2009.

IN THE NEWS

Moody's Investors Service, in April, began to recalibrate the way it rates state and municipal bonds. It is revising the ratings to ensure they are comparable for all bond issuers, including corporations. Moody's revised ratings are intended to indicate average levels of default and loss that are roughly consistent across sectors and geography, according to the credit rating agency's statement. Moody's, which rates about 70,000 state and municipal bond issues, anticipates that most state and local government long-term municipal ratings will experience an upward shift. Most revenue bonds will not have their ratings changed. The impact of the measure on the value of municipal bond funds is difficult to predict, but it is likely to be positive for municipal bond prices over the long term.

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Your fund's performance

This section shows your fund's performance, price, and distribution information for periods ended April 30, 2010, the end of its most recent 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 for periods ended 4/30/10

| | NAV | Market price | Barclays Capital Municipal Bond Index | Lipper General Municipal Debt Funds (leveraged closed-end) category average* |
|--|-------|--------------|---|--|
| Annual average (life of fund) (since 5/28/93) | 5.90% | 5.20% | 5.64% | 5.79% |
| 10 years | 83.48 | 88.24 | 75.19 | 86.27 |

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| | | | | |
|----------------|-------|-------|-------|-------|
| Annual average | 6.26 | 6.53 | 5.77 | 6.38 |
| 5 years | 22.65 | 31.19 | 24.66 | 20.92 |
| Annual average | 4.17 | 5.58 | 4.51 | 3.84 |
| 3 years | 9.92 | 13.29 | 15.37 | 7.93 |
| Annual average | 3.20 | 4.25 | 4.88 | 2.52 |
| 1 year | 22.93 | 26.10 | 8.85 | 22.67 |

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

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

* Over the 1-year, 3-year, 5-year, 10-year, and life-of-fund periods ended 4/30/10, there were 62, 61, 60, 43, and 34 funds, respectively, in this Lipper category.

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Fund price and distribution information For the 12-month period ended 4/30/10

Distributions

| | |
|----------------------------|----------|
| Number | 12 |
| Income ¹ | \$0.7781 |
| Capital gains ² | □ |
| Total | \$0.7781 |

| | Series B (3,417 shares) | Series C (3,737 shares) |
|--|----------------------------|----------------------------|
| Distributions □ Preferred shares* | | |
| Income ¹ | \$112.85 | \$111.86 |
| Capital gains ² | □ | □ |
| Total | \$112.85 | \$111.86 |

| Share value □ Common shares | NAV | Market price |
|--------------------------------------|---------|--------------|
| 4/30/09 | \$10.47 | \$9.73 |
| 4/30/10 | 11.99 | 11.43 |
| Current yield (end of period) | | |
| Current dividend rate ³ | 6.64% | 6.96% |
| Taxable equivalent ⁴ | 10.22% | 10.71% |

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

* For further information on the preferred shares outstanding during the period, please refer to Note 4: Preferred shares on page 37.

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

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

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

⁴ Assumes maximum 35% federal tax rate for 2010. Results for investors subject to lower tax rates would not be as advantageous.

Fund performance as of most recent calendar quarter

Total return for periods ended 3/31/10

| | NAV | Market price |
|------------------------------|-------|--------------|
| Annual average | | |
| Life of fund (since 5/28/93) | 5.80% | 5.23% |
| 10 years | 78.14 | 94.75 |
| Annual average | 5.94 | 6.89 |
| 5 years | 22.82 | 34.35 |
| Annual average | 4.20 | 6.08 |
| 3 years | 7.90 | 12.94 |

| | | |
|----------------|-------|-------|
| Annual average | 2.57 | 4.14 |
| <hr/> | | |
| 1 year | 24.97 | 31.96 |
| <hr/> | | |

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Terms and definitions

Important terms

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

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

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

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 Municipal Bond Index is an unmanaged index of long-term fixed-rate investment-grade tax-exempt bonds.

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

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

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

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

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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 Putnam's privacy policy

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

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

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

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 at 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 April 30, 2010, Putnam employees had approximately \$347,000,000 and the Trustees had approximately \$49,000,000 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

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

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

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

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

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

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

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Report of Independent Registered Public Accounting Firm

To the Trustees and Shareholders of
Putnam Municipal Opportunities Trust:

In our opinion, the accompanying statement of assets and liabilities, including the portfolio, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Putnam Municipal Opportunities Trust (the "fund") at April 30, 2010, and the results of its operations, the changes in its net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of investments owned at April 30, 2010 by correspondence with the custodian provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Boston, Massachusetts
June 10, 2010

The fund's portfolio 4/30/10**Key to holding's abbreviations****AGM** Assured Guaranty Municipal Corporation**AGO** Assured Guaranty, Ltd.**AMBAC** AMBAC Indemnity Corporation**COP** Certificates of Participation**FGIC** Financial Guaranty Insurance Company**FHLMC Coll.** Federal Home Loan Mortgage

Corporation Collateralized

FNMA Coll. Federal National Mortgage

Association Collateralized

FRB Floating Rate Bonds**FRN** Floating Rate Notes**G.O. Bonds** General Obligation Bonds**GNMA Coll.** Government National Mortgage

Association Collateralized

NATL National Public Finance Guarantee Corp.**Radian Insd.** Radian Group Insured**SGI** Syncora Guarantee, Inc.**U.S. Govt. Coll.** U.S. Government Collateralized**VRDN** Variable Rate Demand Notes

| MUNICIPAL BONDS AND NOTES (141.1%)* | Rating** | Principal amount | Value |
|--|-----------------|-------------------------|------------------|
| Alabama (0.8%) | | | |
| Courtland, Indl. Dev. Board Env. Impt. Rev. Bonds (Intl. Paper Co.), Ser. A, 5s, 11/1/13 | BBB | \$3,000,000 | \$3,192,210 |
| Sylacauga, Hlth. Care Auth. Rev. Bonds (Coosa Valley Med. Ctr.), Ser. A, 6s, 8/1/25 | B/P | 1,200,000 | 1,055,796 |
| | | | 4,248,006 |
| Arizona (3.3%) | | | |
| Casa Grande, Indl. Dev. Auth. Rev. Bonds (Casa Grande Regl. Med. Ctr.), Ser. A, 7 5/8s, 12/1/29 | B+/P | 3,300,000 | 3,245,451 |
| Cochise Cnty., Indl. Dev. Auth. Rev. Bonds (Sierra Vista Cmnty. Hosp.), Ser. A, 6 3/4s, 12/1/26 | BBB+/P | 425,000 | 427,074 |
| Coconino Cnty., Poll. Control Rev. Bonds (Tucson Elec. Pwr. Co. □ Navajo), Ser. A, 5 1/8s, 10/1/32 | Baa3 | 1,500,000 | 1,452,360 |
| Glendale, Indl. Dev. Auth. Rev. Bonds (Midwestern U.), 5s, 5/15/26 | A□ | 800,000 | 781,032 |

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| | | | |
|---|------|-----------|-------------------|
| Marana, Impt. Dist. Special Assmt. Bonds (Tangerine Farms Road), 4.6s, 1/1/26 | Baa1 | 1,969,000 | 1,825,066 |
| Maricopa Cnty., Poll. Control Rev. Bonds (El Paso Elec. Co.), Ser. A, 7 1/4s, 2/1/40 | Baa2 | 2,400,000 | 2,734,512 |
| (Public Service Co. of NM), Ser. A, 6.3s, 12/1/26 | Baa3 | 3,200,000 | 3,209,888 |
| Pima Cnty., Incl. Dev. Auth. Rev. Bonds (Tucson Elec. Pwr. Co.), 5 3/4s, 9/1/29 | Baa3 | 800,000 | 808,120 |
| (Horizon Cmnty. Learning Ctr.), 5.05s, 6/1/25 | BBB | 1,550,000 | 1,256,275 |
| U. Medical Ctr. Corp. AZ Hosp. Rev. Bonds, 6 1/2s, 7/1/39 | Baa1 | 1,000,000 | 1,077,050 |
| | | | 16,816,828 |

California (19.7%)

| | | | |
|--|-----|-----------|-----------|
| ABC Unified School Dist. G.O. Bonds, Ser. B, FGIC, zero %, 8/1/20 | Aa2 | 1,500,000 | 894,780 |
| Burbank, Unified School Dist. G.O. Bonds (Election of 1997), Ser. C, FGIC, zero %, 8/1/23 | A+ | 1,000,000 | 478,860 |
| CA Edl. Fac. Auth. Rev. Bonds (Claremont Graduate U.), Ser. A, 5s, 3/1/42 | A3 | 2,000,000 | 1,937,940 |

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| MUNICIPAL BONDS AND NOTES (141.1%)* cont. | Rating** | Principal amount | Value |
|--|-----------------|-------------------------|--------------|
| California cont. | | | |
| (U. of the Pacific), 5s, 11/1/21 | A2 | \$1,500,000 | \$1,558,274 |
| (Loyola-Marymount U.), NATL, zero %, 10/1/21 | A2 | 1,300,000 | 683,267 |
| CA Hlth. Fac. Fin. Auth. Rev. Bonds (Sutter Hlth.), Ser. A, NATL, 5 3/8s, 8/15/30 | Aa3 | 2,500,000 | 2,502,375 |
| AMBAC, 5.293s, 7/1/17 | A2 | 2,400,000 | 2,405,015 |

CA Hsg. Fin. Agcy. Rev. Bonds (Home Mtge.)

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| | | | |
|---|--------|------------|------------|
| Ser. E, 4.8s, 8/1/37 | A | 5,000,000 | 4,037,050 |
| Ser. K, 4 5/8s, 8/1/26 | A | 10,000,000 | 8,538,500 |
| <hr/> | | | |
| CA Muni. Fin. Auth. COP (Cmnty. Hosp. Central CA), 5 1/4s, 2/1/37 | Baa2 | 1,800,000 | 1,590,695 |
| <hr/> | | | |
| CA Poll. Control Fin. Auth. Rev. Bonds (Pacific Gas & Electric Corp.), Class D, FGIC, 4 3/4s, 12/1/23 | A3 | 2,500,000 | 2,448,500 |
| <hr/> | | | |
| CA Poll. Control Fin. Auth. Solid Waste Disp. FRB (Waste Management, Inc.), Ser. C, 5 1/8s, 11/1/23 | BBB | 850,000 | 844,679 |
| <hr/> | | | |
| CA State G.O. Bonds | | | |
| 6 1/2s, 4/1/33 | A1 | 12,000,000 | 13,482,120 |
| 5 1/2s, 3/1/40 | A1 | 7,450,000 | 7,735,782 |
| 5s, 10/1/29 | A1 | 4,000,000 | 4,026,680 |
| <hr/> | | | |
| CA State Pub. Wks. Board Rev. Bonds | | | |
| Ser. I-1, 6 1/8s, 11/1/29 | A2 | 1,000,000 | 1,067,810 |
| Ser. A-1, 6s, 3/1/35 | A2 | 1,600,000 | 1,659,936 |
| <hr/> | | | |
| CA Statewide Cmnty. Dev. Auth. COP (The Internext Group), 5 3/8s, 4/1/30 | BBB | 5,250,000 | 4,854,203 |
| <hr/> | | | |
| CA Statewide Cmnty., Dev. Auth. Rev. Bonds (Irvine LLC-UCI East Campus), 6s, 5/15/40 | Baa2 | 2,000,000 | 2,026,100 |
| <hr/> | | | |
| Cathedral City, Impt. Board Act of 1915 Special Assmt. Bonds (Cove Impt. Dist.), Ser. 04-02, 5.05s, 9/2/35 | BBB[P] | 775,000 | 642,925 |
| <hr/> | | | |
| Chula Vista COP, NATL, 5s, 8/1/32 | A1 | 4,000,000 | 3,710,960 |
| <hr/> | | | |
| Chula Vista, Indl. Dev. Rev. Bonds (San Diego Gas), Ser. B, 5s, 12/1/27 | Aa3 | 1,915,000 | 1,868,561 |
| <hr/> | | | |
| Foothill/Eastern Corridor Agcy. Rev. Bonds, Ser. A, zero %, 1/1/28 (Prerefunded) | Aaa | 20,000,000 | 9,147,600 |
| <hr/> | | | |
| Golden State Tobacco Securitization Corp. Rev. Bonds Ser. 03 A-1, 6 1/4s, 6/1/33 (Prerefunded) | Aaa | 925,000 | 1,021,441 |

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| | | | |
|--------------------------|-----|-----------|---------|
| Ser. A-1, 5s, 6/1/33 | BBB | 1,050,000 | 849,125 |
| Ser. S-B, zero %, 6/1/47 | BB | 6,000,000 | 231,120 |

| | | | |
|--|-----|-----------|-----------|
| Metro. Wtr. Dist. Rev. Bonds (Southern CA Wtr. Wks.), 5 3/4s, 8/10/18 | Aa1 | 6,000,000 | 6,898,800 |
|--|-----|-----------|-----------|

| | | | |
|---|--------|---------|---------|
| Orange Cnty., Cmnty. Fac. Dist. Special Tax Rev. Bonds (Ladera Ranch No. 02-1), Ser. A, 5.55s, 8/15/33 | BBB[P] | 900,000 | 831,447 |
|---|--------|---------|---------|

| | | | |
|---|----|-----------|-----------|
| Redwood City, Elementary School Dist. G.O. Bonds, FGIC, NATL, zero %, 8/1/21 | A+ | 1,990,000 | 1,061,585 |
|---|----|-----------|-----------|

| | | | |
|---|----|-----------|---------|
| Rocklin, Unified School Dist. G.O. Bonds, FGIC, NATL, zero %, 8/1/27 | A1 | 2,000,000 | 751,420 |
|---|----|-----------|---------|

| | | | |
|---|-------|-----------|-----------|
| Sacramento, Special Tax Rev. Bonds (North Natomas Cmnty. Fac.), Ser. 97-01 | | | |
| 5s, 9/1/29 | BB+/P | 1,180,000 | 1,050,943 |
| 5s, 9/1/20 | BB+/P | 1,195,000 | 1,141,070 |
| 5s, 9/1/18 | BB+/P | 1,030,000 | 1,003,941 |

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MUNICIPAL BONDS AND NOTES (141.1%)* cont. Rating Principal amount Value**

California cont.

| | | | |
|---|---|-------------|-------------|
| San Bernardino Cnty., COP (Med. Ctr. Fin.), Ser. A, NATL, 6 1/2s, 8/1/17 | A | \$5,000,000 | \$5,334,100 |
|---|---|-------------|-------------|

| | | | |
|---|-----|-----------|---------|
| San Juan, Unified School Dist. G.O. Bonds, AGM, zero %, 8/1/19 | AAA | 1,000,000 | 644,020 |
|---|-----|-----------|---------|

| | | | |
|---|------|---------|---------|
| Sunnyvale, Cmnty. Fac. Dist. Special Tax Rev. Bonds, 7.65s, 8/1/21 | B+/P | 650,000 | 652,464 |
|---|------|---------|---------|

| | | | |
|--|----|-----------|-----------|
| Tuolumne Wind Project Auth. Rev. Bonds (Tuolumne Co.), Ser. A, 5 7/8s, 1/1/29 | A1 | 1,585,000 | 1,732,579 |
|--|----|-----------|-----------|

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101,346,667

Colorado (2.1%)

CO Hlth. Fac. Auth. Rev. Bonds

| | | | |
|---|-------|-----------|-----------|
| (Christian Living Cmnty.), Ser. A, 5 3/4s, 1/1/26 | BBB/P | 325,000 | 301,545 |
| (Evangelical Lutheran), 5 1/4s, 6/1/21 | A3 | 1,375,000 | 1,405,030 |
| (Evangelical Lutheran), 5s, 6/1/29 | A3 | 850,000 | 810,764 |

CO Hsg. & Fin. Auth. Rev. Bonds (Single Family Mtge.),

| | | | |
|-------------------------------------|----|-----------|-----------|
| Ser. A-3, Class III, 5 1/4s, 5/1/33 | A1 | 3,540,000 | 3,595,897 |
|-------------------------------------|----|-----------|-----------|

CO Pub. Hwy. Auth. Rev. Bonds (E-470 Pub. Hwy.),

| | | | |
|-------------------------------|---|-----------|-----------|
| Ser. C1, NATL, 5 1/2s, 9/1/24 | A | 1,250,000 | 1,270,625 |
|-------------------------------|---|-----------|-----------|

| | | | |
|--|----|-----------|-----------|
| CO Springs, Hosp. Rev. Bonds, 6 3/8s, 12/15/30 | A3 | 3,280,000 | 3,341,205 |
|--|----|-----------|-----------|

10,725,066

Delaware (0.5%)

DE St. Econ. Dev. Auth. Rev. Bonds (Delmarva Pwr.),

| | | | |
|--------------|------|-----------|-----------|
| 5.4s, 2/1/31 | Baa2 | 1,100,000 | 1,119,822 |
|--------------|------|-----------|-----------|

DE State Hsg. Auth. Rev. Bonds (Single Family Mtge.),

| | | | |
|------------------------|----|------------|-----------|
| Ser. B, zero %, 1/1/40 | A3 | 11,725,000 | 1,572,792 |
|------------------------|----|------------|-----------|

2,692,614

District of Columbia (1.5%)

DC Wtr. & Swr. Auth. Pub. Util. Rev. Bonds, FGIC,

| | | | |
|-------------------|-----|-----------|-----------|
| NATL, 5s, 10/1/28 | Aa3 | 5,550,000 | 5,728,433 |
|-------------------|-----|-----------|-----------|

Metro. Washington, Arpt. Auth. Dulles Toll Rd.

| | | | |
|--|----|-----------|-----------|
| Rev. Bonds (First Sr. Lien), Ser. A, 5s, 10/1/39 | A2 | 2,000,000 | 2,079,020 |
|--|----|-----------|-----------|

7,807,453

Florida (5.3%)

Brevard Cnty., Hlth. Care Fac. Auth. Rev. Bonds

| | | | |
|----------------------------------|----|-----------|-----------|
| (Health First, Inc.), 7s, 4/1/39 | A3 | 3,000,000 | 3,306,630 |
|----------------------------------|----|-----------|-----------|

Escambia Cnty., Env. Impt. Rev. Bonds

| | | | |
|---------------------------------------|-----|-----------|-----------|
| (Intl. Paper Co.), Ser. A, 5s, 8/1/26 | BBB | 2,500,000 | 2,192,075 |
|---------------------------------------|-----|-----------|-----------|

Escambia Cnty., Hlth. Fac. Auth. Rev. Bonds

| | | | |
|--|--------|-----------|-----------|
| (Baptist Hosp., Inc.), Ser. A, 5 3/4s, 8/15/29 | BBB+/F | 2,500,000 | 2,517,100 |
|--|--------|-----------|-----------|

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| | | | |
|---|--------|-----------|-----------|
| FL State Muni. Pwr. Agcy. Rev. Bonds, Ser. A, 5s, 10/1/31 | A1 | 1,700,000 | 1,708,024 |
| Halifax, Hosp. Med. Ctr. Rev. Bonds, Ser. A, 5 3/8s, 6/1/46 | A□ | 4,200,000 | 3,913,266 |
| Lakeland, Retirement Cmnty. Rev. Bonds (1st Mtge. □ Carpenters), 6 3/8s, 1/1/43 | BBB□/F | 340,000 | 309,594 |
| Lee Cnty., Rev. Bonds, SGI, 5s, 10/1/25 | Aa2 | 2,500,000 | 2,585,650 |
| Marco Island, Util. Sys. Rev. Bonds, Ser. A, 5s, 10/1/40 | A2 | 1,500,000 | 1,507,185 |
| Miami Beach, Hlth. Fac. Auth. Hosp. Rev. Bonds (Mount Sinai Med. Ctr.) Ser. A, 6.8s, 11/15/31 | Ba2 | 1,000,000 | 989,950 |
| 5 3/8s, 11/15/28 | BB+/F | 1,000,000 | 855,810 |

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| MUNICIPAL BONDS AND NOTES (141.1%)* cont. | Rating** | Principal amount | Value |
|---|-----------------|-------------------------|--------------|
| Florida cont. | | | |
| Miami-Dade Cnty., Aviation Rev. Bonds (Miami Intl. Arpt.), Ser. A-1, 5 3/8s, 10/1/41 | A2 | \$3,000,000 | \$3,017,670 |
| Reunion West, Cmnty. Dev. Dist. Special Assmt. Bonds, 1.919s, 5/1/36 | D/P | 1,915,000 | 767,819 |
| South Bay, Cmnty. Dev. Dist. Rev. Bonds, Ser. B-1, 5 1/8s, 11/1/10 (In default) □ | D/P | 2,025,000 | 616,289 |
| South Broward, Hosp. Dist. Rev. Bonds, NATL, 4 3/4s, 5/1/28 | Aa3 | 1,500,000 | 1,529,400 |
| Tolomato, Cmnty. Dev. Dist. Special Assmt. Bonds | | | |

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| | | | |
|--|-------|-----------|-----------|
| (Split Pine Cmnty. Dev. Dist.), Ser. A, 5 1/4s, 5/1/39 | BB□/P | 1,480,000 | 1,034,801 |
| 5.4s, 5/1/37 | BB□/P | 475,000 | 351,576 |

27,202,839

Georgia (2.8%)

| | | | |
|---|---|-----------|-----------|
| Atlanta, Wtr. & Waste Wtr. Rev. Bonds, Ser. A, 6 1/4s, 11/1/39 | A | 4,500,000 | 4,770,765 |
|---|---|-----------|-----------|

| | | | |
|---|-----|---------|---------|
| Effingham Cnty., Invl. Dev. Auth. Rev. Bonds (Georgia-Pacific Corp.), 6 1/2s, 6/1/31 | Ba3 | 900,000 | 910,863 |
|---|-----|---------|---------|

| | | | |
|--|----|-----------|-----------|
| Gainesville & Hall Cnty., Hosp. Auth. Rev. Bonds (Northeast GA Hlth. Care), Ser. B, 5 1/4s, 2/15/45 | A+ | 7,500,000 | 7,522,125 |
|--|----|-----------|-----------|

| | | | |
|---|-----|-----------|-----------|
| Marietta, Dev. Auth. Rev. Bonds (U. Fac. Life U., Inc.), 7s, 6/15/39 | Ba3 | 1,400,000 | 1,359,288 |
|---|-----|-----------|-----------|

14,563,041

Hawaii (□%)

| | | | |
|---|-----|---------|---------|
| HI State Hsg. Fin. & Dev. Corp. Rev. Bonds, Ser. A, FNMA Coll., 5 3/4s, 7/1/30 | AAA | 155,000 | 155,012 |
|---|-----|---------|---------|

155,012

Illinois (6.0%)

| | | | |
|--|-----|---------|---------|
| Chicago, Single Fam. Mtge. Rev. Bonds, Ser. A, GNMA Coll., FNMA Coll., FHLMC Coll., 5 1/2s, 10/1/20 | Aaa | 835,000 | 845,179 |
|--|-----|---------|---------|

| | | | |
|--|-----|-----------|---------|
| Chicago, Waste Wtr. Transmission Rev. Bonds, Ser. A, NATL, zero %, 1/1/24 | Aa2 | 1,600,000 | 818,416 |
|--|-----|-----------|---------|

| | | | |
|---|------|-----------|-----------|
| IL Fin. Auth. Rev. Bonds (Silver Cross Hosp. & Med. Ctr.), 7s, 8/15/44 | BBB | 2,500,000 | 2,617,100 |
| (IL Rush U. Med. Ctr.), Ser. D, 6 5/8s, 11/1/39 | A3 | 1,490,000 | 1,592,363 |
| (IL Rush U. Med. Ctr.), Ser. C, 6 5/8s, 11/1/39 | A3 | 1,425,000 | 1,522,898 |
| (Elmhurst Memorial), Ser. A, 5 5/8s, 1/1/37 | Baa1 | 3,000,000 | 2,820,720 |
| (Alexian), Ser. A, AGM, 5 1/4s, 1/1/22 | Aa3 | 3,775,000 | 3,967,336 |

| | | | |
|---|-----|-----------|---------|
| Kendall & Kane Cntys., Cmnty. United School Dist. G.O. Bonds (No. 115 Yorkville), FGIC, zero %, 1/1/21 | Aa3 | 1,075,000 | 629,230 |
|---|-----|-----------|---------|

Lake Cnty., Cmnty. Construction School Dist.

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G.O. Bonds (No. 073 Hawthorn), NATL, FGIC

| | | | |
|-------------------------------|-----|-----------|-----------|
| zero %, 12/1/21 | AA+ | 1,805,000 | 1,079,733 |
| zero %, 12/1/21 (Prerefunded) | AA+ | 145,000 | 95,842 |
| zero %, 12/1/20 | AA+ | 1,495,000 | 942,672 |
| zero %, 12/1/20 (Prerefunded) | AA+ | 155,000 | 107,516 |

Metro. Pier & Exposition Auth. Dedicated State Tax

Rev. Bonds (McCormick), Ser. A, NATL

| | | | |
|------------------|-----|------------|-----------|
| zero %, 12/15/30 | AAA | 25,000,000 | 7,347,750 |
| zero %, 12/15/22 | A2 | 2,500,000 | 1,323,075 |

Metro. Pier & Exposition Auth. Rev. Bonds (McCormick

| | | | |
|--|-----|-----------|-----------|
| Place Expansion Project), NATL, 5s, 12/15/28 | AAA | 1,770,000 | 1,825,702 |
|--|-----|-----------|-----------|

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MUNICIPAL BONDS AND NOTES (141.1%)* cont. Rating Principal amount Value**

Illinois cont.

Montgomery, Special Assmt. Bonds

| | | | |
|--|------|-------------|-------------|
| (Lakewood Creek), Radian Insd., 4.7s, 3/1/30 | BB/P | \$1,879,000 | \$1,552,298 |
|--|------|-------------|-------------|

Southern IL U. Rev. Bonds (Hsg. & Auxiliary),

Ser. A, NATL

| | | | |
|----------------|----|-----------|-----------|
| zero %, 4/1/25 | A1 | 1,870,000 | 838,994 |
| zero %, 4/1/21 | A1 | 1,880,000 | 1,084,365 |

31,011,189

Indiana (3.9%)

Anderson, Econ. Dev. Rev. Bonds (Anderson U.),

| | | | |
|-------------|--------|---------|---------|
| 5s, 10/1/24 | BBB-/F | 390,000 | 373,745 |
|-------------|--------|---------|---------|

IN Bk. Special Program Gas Rev. Bonds, Ser. A

| | | | |
|------------------|-----|-----------|-----------|
| 5 1/4s, 10/15/21 | Aa3 | 180,000 | 184,037 |
| 5 1/4s, 10/15/18 | Aa3 | 2,000,000 | 2,102,920 |

IN Hlth. Fac. Fin. Auth. VRDN (Fayette Memorial

| | | | |
|--------------------------------------|------|-----------|-----------|
| Hosp. Assn.), Ser. A, 0.28s, 10/1/32 | A-1+ | 1,330,000 | 1,330,000 |
|--------------------------------------|------|-----------|-----------|

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| | | | |
|---|-------------------|-----------|-------------------|
| <hr/> | | | |
| IN State Dev. Fin. Auth. Env. Impt. Rev. Bonds (USX Corp.), 5.6s, 12/1/32 | Baa1 | 4,700,000 | 4,700,846 |
| <hr/> | | | |
| IN State Fin. Auth. Rev. Bonds (U.S. Steel Corp.), 6s, 12/1/26 | Ba2 | 500,000 | 500,000 |
| (Duke Energy Ind.), Ser. C, 4.95s, 10/1/40 | A | 4,000,000 | 3,931,880 |
| <hr/> | | | |
| Indianapolis, Arpt. Auth. Rev. Bonds (Federal Express Corp.), 5.1s, 1/15/17 | Baa2 | 2,500,000 | 2,597,425 |
| <hr/> | | | |
| Jasper Cnty., Indl. Poll. Control Rev. Bonds AMBAC, 5.7s, 7/1/17 | Baa2 | 1,375,000 | 1,497,705 |
| NATL, 5.6s, 11/1/16 | A | 1,550,000 | 1,677,612 |
| <hr/> | | | |
| U. Southern IN Rev. Bonds (Student Fee), Ser. J, AGO, 5 3/4s, 10/1/28 | AAA | 1,000,000 | 1,104,640 |
| <hr/> | | | |
| | | | 20,000,810 |
| Iowa (1.0%) | | | |
| IA Fin. Auth. Hlth. Care Fac. Rev. Bonds (Care Initiatives), 9 1/4s, 7/1/25 (Prerefunded) | AAA | 3,580,000 | 3,989,659 |
| <hr/> | | | |
| IA State Higher Ed. Loan Auth. Rev. Bonds 5s, 10/1/22 | BB/F | 605,000 | 575,936 |
| (Wartburg), Ser. A, 5s, 10/1/21 | BB/F | 605,000 | 582,071 |
| <hr/> | | | |
| | | | 5,147,666 |
| Kentucky (0.4%) | | | |
| KY Econ. Dev. Fin. Auth. Hlth. Syst. Rev. Bonds (Norton Hlth. Care), Ser. A 6 5/8s, 10/1/28 (Prerefunded) | AAA/P | 1,470,000 | 1,521,097 |
| 6 5/8s, 10/1/28 | A ⁺ /F | 405,000 | 412,574 |
| <hr/> | | | |
| Louisville/Jefferson Cnty., Metro. Govt. College Rev. Bonds (Bellarmine U.), Ser. A, 6s, 5/1/38 | Baa2 | 290,000 | 290,542 |
| <hr/> | | | |
| | | | 2,224,213 |
| Maine (0.3%) | | | |
| Rumford, Solid Waste Disp. Rev. Bonds (Boise Cascade Corp.), 6 7/8s, 10/1/26 | B2 | 1,950,000 | 1,678,287 |

1,678,287

Maryland (0.4%)

| | | | |
|--|------|---------|---------|
| MD Econ. Dev. Corp. Poll. Control Rev. Bonds | | | |
| (Potomac Electric Power Co.), 6.2s, 9/1/22 | A3 | 650,000 | 750,152 |
| MD State Hlth. & Higher Edl. Fac. Auth. Rev. Bonds | | | |
| (WA Cnty. Hosp.), 5 3/4s, 1/1/38 | BBB□ | 550,000 | 538,032 |

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MUNICIPAL BONDS AND NOTES (141.1%)* cont. Rating Principal amount Value**

Maryland cont.

| | | | |
|--|--------|-----------|------------------|
| MD State Indl. Dev. Fin. Auth. Rev. Bonds | | | |
| (Synagro-Baltimore), Ser. A, 5 1/2s, 12/1/15 | BBB+/F | \$500,000 | \$510,305 |
| | | | 1,798,489 |

Massachusetts (8.5%)

| | | | |
|--|-------|------------|------------|
| MA State Dev. Fin. Agcy. Rev. Bonds | | | |
| (Sabis Intl.), Ser. A, 8s, 4/15/39 | BBB | 575,000 | 639,854 |
| (MA Biomedical Research), Ser. C, 6 3/8s, 8/1/17 | Aa3 | 2,785,000 | 2,833,932 |
| (MA Biomedical Research), Ser. C, 6 1/4s, 8/1/20 | Aa3 | 2,850,000 | 2,898,678 |
| (Carleton-Willard Village), 5 5/8s, 12/1/30 | A□ | 750,000 | 751,335 |
| (Linden Ponds, Inc.), Ser. A, 5 1/2s, 11/15/22 | BB/P | 1,360,000 | 1,136,620 |
| MA State Dev. Fin. Agcy. Solid Waste Disp. FRB | | | |
| (Dominion Energy Brayton), 5s, 2/1/36 | A□ | 1,000,000 | 914,820 |
| MA State Dev. Fin. Agcy. Solid Waste Disp. | | | |
| Mandatory Put Bonds (Dominion Energy Brayton), | | | |
| Ser. 1, 5 3/4s, 5/1/19 | A□ | 1,500,000 | 1,598,535 |
| MA State Hlth. & Edl. Fac. Auth. Rev. Bonds | | | |
| (Civic Investments/HPHC), Ser. A, 9s, 12/15/15 | | | |
| (Prerefunded) | AAA/P | 1,885,000 | 2,192,689 |
| (Jordan Hosp.), Ser. E, 6 3/4s, 10/1/33 | BB□ | 1,500,000 | 1,472,220 |
| (Med. Ctr. of Central MA), AMBAC, 6.55s, 6/23/22 | A | 12,000,000 | 12,372,600 |
| (UMass Memorial), Ser. C, 6 1/2s, 7/1/21 | Baa1 | 1,875,000 | 1,907,719 |

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| | | | |
|--|------|-----------|-----------|
| (Berkshire Hlth. Syst.), Ser. E, 6 1/4s, 10/1/31 | BBB+ | 1,300,000 | 1,321,801 |
| (Quincy Med. Ctr.), Ser. A, 6 1/4s, 1/15/28 | BB□P | 2,095,000 | 1,881,959 |
| (Hlth. Care Syst.-Covenant Hlth.), 6s, 7/1/31 | A/F | 3,790,000 | 3,863,564 |
| (Baystate Med. Ctr.), Ser. I, 5 3/4s, 7/1/36 | A+ | 1,500,000 | 1,590,780 |
| (Care Group), Ser. B-2, NATL, 5 3/8s, 2/1/26 | A | 700,000 | 711,347 |
| (Northeastern U.), Ser. A, 5s, 10/1/35 | A2 | 3,250,000 | 3,278,730 |

| | | | |
|--|-----|-----------|-----------|
| MA State Port Auth. Rev. Bonds, U.S. Govt. Coll., 13s, 7/1/13 (Prerefunded) | Aaa | 2,010,000 | 2,399,096 |
|--|-----|-----------|-----------|

43,766,279

Michigan (4.7%)

Detroit, G.O. Bonds

| | | | |
|------------------------------------|-----|-----------|-----------|
| Ser. A-1, AMBAC, 5 1/4s, 4/1/24 | BB | 1,435,000 | 1,156,911 |
| Ser. A, FGIC, 5s, 7/1/30 | Aa3 | 4,505,000 | 4,459,545 |
| (Cap. Impt.), Ser. A-1, 5s, 4/1/15 | BB | 1,300,000 | 1,202,149 |

Detroit, City School Dist. G.O. Bonds, Ser. A,

| | | | |
|-----------------|-----|-----------|-----------|
| AGM, 6s, 5/1/29 | AAA | 1,000,000 | 1,091,760 |
|-----------------|-----|-----------|-----------|

Detroit, Wtr. Supply Syst. Rev. Bonds, Ser. B,

| | | | |
|---------------------|-----|-----------|-----------|
| AGM, 6 1/4s, 7/1/36 | AAA | 1,425,000 | 1,537,091 |
|---------------------|-----|-----------|-----------|

Flint, Hosp. Bldg. Auth. Rev. Bonds

| | | | |
|------------------------------------|-----|-----------|-----------|
| (Hurley Med. Ctr.), 7 1/2s, 7/1/39 | Ba1 | 1,000,000 | 1,006,200 |
|------------------------------------|-----|-----------|-----------|

MI Higher Ed. Fac. Auth. Rev. Bonds

| | | | |
|--------------------------------------|----|---------|---------|
| (Kalamazoo College), 5 1/2s, 12/1/18 | A1 | 500,000 | 519,755 |
|--------------------------------------|----|---------|---------|

MI State Hosp. Fin. Auth. Rev. Bonds

| | | | |
|--|----|-----------|-----------|
| Ser. A, 6 1/8s, 6/1/39 | A1 | 2,500,000 | 2,674,775 |
| (Henry Ford Hlth. Syst.), 5 3/4s, 11/15/39 | A1 | 2,000,000 | 1,980,320 |
| (Henry Ford Hlth. Syst.), Ser. A, 5 1/4s, 11/15/46 | A1 | 4,500,000 | 4,119,705 |
| (Sparrow Hosp.), 5s, 11/15/31 | A1 | 1,350,000 | 1,239,638 |

MI State Strategic Fund Mandatory Put Bonds

| | | | |
|--|------|---------|---------|
| (Dow Chemical), Ser. A-1, 6 3/4s, 6/2/14 | BBB□ | 100,000 | 110,718 |
|--|------|---------|---------|

| MUNICIPAL BONDS AND NOTES (141.1%)* cont. | Rating** | Principal amount | Value |
|---|-----------------|-------------------------|------------------------|
| Michigan cont. | | | |
| MI State Strategic Fund, Ltd. Rev. Bonds (Worthington Armstrong Venture), U.S. Govt. Coll., 5 3/4s, 10/1/22 (Prerefunded) | AAA/P | \$1,650,000 | \$1,902,170 |
| MI Tobacco Settlement Fin. Auth. Rev. Bonds, Ser. A, 6s, 6/1/34 | BBB | 575,000 | 482,845 |
| Monroe Cnty., Hosp. Fin. Auth. Rev. Bonds (Mercy Memorial Hosp. Corp.), 5 3/8s, 6/1/26 | Baa3 | 750,000 | 670,710 |
| | | | 24,154,292 |
| Minnesota (1.5%) | | | |
| MN State Hsg. Fin. Agcy. Rev. Bonds (Single Fam. Mtge.), 6.05s, 7/1/31 (Res. Hsg. Fin.), Ser. M, 5 3/4s, 1/1/37 | Aa1 Aa1 | 310,000 850,000 | 318,302 898,510 |
| North Oaks, Sr. Hsg. Rev. Bonds (Presbyterian Homes), 6 1/8s, 10/1/39 | BB/P | 995,000 | 969,150 |
| St. Paul, Hsg. & Redev. Auth. Hlth. Care Fac. Rev. Bonds (HealthPartners Oblig. Group), 5 1/4s, 5/15/36 | Baa1 | 3,500,000 | 3,365,565 |
| St. Paul, Hsg. & Redev. Auth. Hosp. Rev. Bonds (Healtheast), 6s, 11/15/35 | Ba1 | 1,150,000 | 1,074,733 |
| U. of MN VRDN, Ser. C, 0.35s, 12/1/36 | VMIG1 | 955,000 | 955,000 |
| | | | 7,581,260 |
| Mississippi (2.1%) | | | |
| MS Bus. Fin. Corp. Gulf Opportunity Zone Rev. Bonds, Ser. A, 5s, 5/1/37 | BBB+ | 2,250,000 | 2,217,533 |
| MS Bus. Fin. Corp. Poll. Control Rev. Bonds (Syst. Energy Resources, Inc.) 5.9s, 5/1/22 5 7/8s, 4/1/22 | BBB BBB | 3,000,000 2,330,000 | 2,999,760 2,329,814 |

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| | | | |
|--|-----|---------|---------|
| MS Home Corp. Rev. Bonds (Single Fam. Mtge.) | | | |
| Ser. B-2, GNMA Coll., FNMA Coll., 6.45s, 12/1/33 | Aaa | 965,000 | 996,295 |
| Ser. B, GNMA Coll., FNMA Coll., 5 1/2s, 6/1/36 | Aaa | 255,000 | 268,301 |

| | | | |
|--|-----|-----------|-----------|
| Warren Cnty., Gulf Opportunity Zone (Intl. Paper Co.), Ser. A, 6 1/2s, 9/1/32 | | | |
| | BBB | 2,000,000 | 2,129,180 |

10,940,883

Missouri (2.2%)

| | | | |
|---|-----|------------|------------|
| MO State Hlth. & Edl. Fac. Auth. Rev. Bonds | | | |
| Ser. 2003A (St. Luke's Health), 5 1/2s, 11/15/28 ^T | AAA | 10,000,000 | 10,688,357 |

| | | | |
|---|-----|---------|---------|
| MO State Hsg. Dev. Comm. Mtge. Rev. Bonds (Single Fam. Homeowner Loan), Ser. C-1, GNMA Coll., FNMA Coll., 7.15s, 3/1/32 | | | |
| | AAA | 350,000 | 374,910 |

11,063,267

Nebraska (0.8%)

| | | | |
|--|-----|-----------|-----------|
| Central Plains, Energy Rev. Bonds (NE Gas No. 1), Ser. A, 5 1/4s, 12/1/18 | | | |
| | BB+ | 3,000,000 | 2,997,810 |

| | | | |
|--|------|---------|---------|
| Lancaster Cnty., Hosp. Auth. Rev. Bonds (Immanuel Oblig. Group), 5 5/8s, 1/1/40 | | | |
| | A-/F | 925,000 | 927,313 |

3,925,123

Nevada (9.6%)

| | | | |
|---|-----|------------|------------|
| Clark Cnty., Ltd. Tax Bond, 5s, 6/1/33 ^T | AA+ | 32,285,000 | 32,869,046 |
|---|-----|------------|------------|

| | | | |
|--------------------------------|-----|-----------|-----------|
| Clark Cnty., Arpt. Rev. Bonds | | | |
| Ser. A-2, FGIC, 5 1/8s, 7/1/26 | Aa3 | 5,105,000 | 5,199,238 |
| Ser. A-1, AMBAC, 5s, 7/1/24 | Aa3 | 2,600,000 | 2,525,354 |

| | | | |
|--|-------|-----------|-----------|
| Clark Cnty., Impt. Dist. Special Assmt. Bonds (Summerlin No. 151), 5s, 8/1/25 | | | |
| | BBB/P | 2,080,000 | 1,442,168 |

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| MUNICIPAL BONDS AND NOTES (141.1%)* cont. | Rating** | Principal amount | Value |
|--|------------------|-------------------------|-------------------|
| Nevada cont. | | | |
| Clark Cnty., Indl. Dev. Rev. Bonds (Southwest Gas Corp.), Ser. A, AMBAC | | | |
| 6.1s, 12/1/38 | BBB | \$3,000,000 | \$3,011,400 |
| 5 1/4s, 7/1/34 | BBB | 3,000,000 | 2,786,760 |
| Henderson G.O. Bonds (Ltd. Tax <input type="checkbox"/> Swr.), FGIC, 5s, 6/1/29 | | | |
| | AA+ | 1,000,000 | 1,024,160 |
| Henderson, Local Impt. Dist. Special Assmt. Bonds (No. T-17), 5s, 9/1/25 | | | |
| | BB+/P | 610,000 | 461,447 |
| | | | 49,319,573 |
| New Jersey (6.0%) | | | |
| NJ Econ. Dev. Auth. Rev. Bonds (Cedar Crest Village, Inc.), Ser. A, U.S. Govt. Coll., | | | |
| 7 1/4s, 11/15/31 (Prerefunded) | AAA/F | 1,300,000 | 1,442,883 |
| (First Mtge. Presbyterian Home), Ser. A, | | | |
| 6 3/8s, 11/1/31 | BB/P | 1,000,000 | 848,920 |
| (Cigarette Tax), 5 3/4s, 6/15/29 | Baa2 | 5,000,000 | 5,010,500 |
| (Cigarette Tax), 5 1/2s, 6/15/24 | Baa2 | 2,800,000 | 2,780,848 |
| NJ Econ. Dev. Auth. Wtr. Fac. Rev. Bonds (American Wtr. Co.), Ser. A, 5.7s, 10/1/39 | | | |
| | A2 | 3,900,000 | 3,936,504 |
| NJ Hlth. Care Fac. Fin. Auth. Rev. Bonds (St. Joseph Hlth. Care Syst.), 6 5/8s, 7/1/38 | | | |
| | BBB \square | 2,750,000 | 2,821,885 |
| (St. Peter \square s U. Hosp.), 5 3/4s, 7/1/37 | Baa2 | 2,500,000 | 2,519,200 |
| (Holy Name Hosp.), 5s, 7/1/36 | Baa2 | 4,000,000 | 3,395,920 |
| NJ State Edl. Fac. Auth. Rev. Bonds (Fairleigh Dickinson), Ser. C, 6s, 7/1/20 | | | |
| | BBB \square /F | 1,500,000 | 1,577,925 |
| (Georgian Court U.), Ser. D, 5 1/4s, 7/1/37 | Baa1 | 1,000,000 | 994,200 |
| NJ State Trans. Trust Fund Auth. Rev. Bonds (Trans. Syst.), Ser. A, zero %, 12/15/30 | | | |
| | Aa3 | 13,000,000 | 4,197,960 |
| Tobacco Settlement Fin. Corp. Rev. Bonds, Ser. 1A, 5s, 6/1/29 | | | |
| | BBB | 1,350,000 | 1,129,073 |

30,655,818

New Mexico (0.1%)

NM Mtge. Fin. Auth. FRN (Single Fam. Mtge.),

Ser. C, GNMA Coll., FNMA Coll., FHLMC Coll.,

| | | | |
|---------------|-----|---------|---------|
| 5.82s, 9/1/33 | AAA | 410,000 | 424,129 |
|---------------|-----|---------|---------|

424,129

New York (5.2%)

Broome Cnty., Indl. Dev. Agcy. Continuing Care

Retirement Rev. Bonds (GoodShepherd Village),

| | | | |
|------------------------|-----|---------|---------|
| Ser. A, 6 7/8s, 7/1/40 | B/P | 320,000 | 260,253 |
|------------------------|-----|---------|---------|

NY City, Indl. Dev. Agcy. Rev. Bonds

| | | | |
|--|------|-----------|-----------|
| (Liberty-7 World Trade Ctr.), Ser. A, 6 1/4s, 3/1/15 | BB/P | 1,400,000 | 1,409,170 |
|--|------|-----------|-----------|

| | | | |
|---|----|---------|---------|
| (Brooklyn Navy Yard Cogen. Partners), 6.2s, 10/1/22 | BB | 770,000 | 677,007 |
|---|----|---------|---------|

| | | | |
|--|----|-----------|-----------|
| (Brooklyn Navy Yard Cogen. Partners), Ser. G, 5 3/4s, 10/1/36 | BB | 2,000,000 | 1,545,700 |
|--|----|-----------|-----------|

NY City, Indl. Dev. Agcy. Special Arpt. Fac. Rev. Bonds

| | | | |
|--|------|-----------|-----------|
| (Airis JFK I, LLC), Ser. A, 5 1/2s, 7/1/28 | BBB□ | 2,100,000 | 1,750,518 |
|--|------|-----------|-----------|

NY City, Indl. Dev. Agcy. Special Fac. FRB

| | | | |
|---|----|-----------|-----------|
| (American Airlines □ JFK Intl. Arpt.), 7 5/8s, 8/1/25 | B□ | 3,000,000 | 3,057,210 |
|---|----|-----------|-----------|

NY City, Indl. Dev. Agcy. Special Fac. Rev. Bonds

| | | | |
|--|-----|---------|---------|
| (British Airways PLC), 5 1/4s, 12/1/32 | BB□ | 700,000 | 508,886 |
|--|-----|---------|---------|

23

| MUNICIPAL BONDS AND NOTES (141.1%)* cont. | Rating** | Principal amount | Value |
|--|-----------------|-------------------------|--------------|
|--|-----------------|-------------------------|--------------|

New York cont.

NY Cntys., Tobacco Trust III Rev. Bonds

| | | | |
|----------------------------------|-----|-------------|-------------|
| (Tobacco Settlement), 6s, 6/1/43 | BBB | \$1,500,000 | \$1,433,670 |
|----------------------------------|-----|-------------|-------------|

NY State Dorm. Auth. Non-State Supported Debt

| | | | |
|--|-----|-----------|-----------|
| Rev. Bonds (Orange Regl. Med. Ctr.), 6 1/4s, 12/1/37 | Ba1 | 2,300,000 | 2,223,709 |
|--|-----|-----------|-----------|

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| | | | |
|--|--------|------------|-------------------|
| NY State Energy Research & Dev. Auth. Gas Fac. Rev. Bonds (Brooklyn Union Gas), 6.952s, 7/1/26 | A+ | 6,000,000 | 5,998,680 |
| Port Auth. NY & NJ Special Oblig. Rev. Bonds (JFK Intl. Air Term. □ 6), NATL, 5.9s, 12/1/17 | A | 6,000,000 | 6,016,860 |
| Seneca Cnty., Indl. Dev. Agcy. Solid Waste Disp. Mandatory Put Bonds (Seneca Meadows, Inc.), 6 5/8s, 10/1/13 | BB□ | 670,000 | 672,995 |
| Suffolk Cnty., Indl. Dev. Agcy. Cont. Care Retirement Rev. Bonds (Peconic Landing), Ser. A, 8s, 10/1/30 | BB□/P | 1,300,000 | 1,331,615 |
| | | | 26,886,273 |
| North Carolina (1.4%) | | | |
| NC Eastern Muni. Pwr. Agcy. Syst. Rev. Bonds, Ser. C, 6 3/4s, 1/1/24 | A□ | 1,000,000 | 1,176,230 |
| NC Med. Care Cmnty. Hlth. Care Fac. Rev. Bonds (Deerfield), Ser. A, 6s, 11/1/33 | BBB+/F | 805,000 | 795,010 |
| (First Mtge. □ Presbyterian Homes), 5 3/8s, 10/1/22 | BB/P | 1,000,000 | 1,005,050 |
| NC State Muni. Pwr. Agcy. Rev. Bonds (No. 1, Catawba Elec.), Ser. A, 5s, 1/1/30 | A2 | 800,000 | 830,112 |
| U. of NC Syst. Pool Rev. Bonds, Ser. C, 5 1/2s, 10/1/34 | A3 | 3,000,000 | 3,109,020 |
| | | | 6,915,422 |
| North Dakota (1.0%) | | | |
| ND State Board of Higher Ed. Rev. Bonds (U. of ND Hsg. & Auxiliary Fac.), AGM, 5s, 4/1/19 | AAA | 500,000 | 541,905 |
| ND State Hsg. Fin. Agcy. Rev. Bonds (Hsg. Fin.), Ser. B, 4.8s, 7/1/37 | Aa1 | 5,010,000 | 4,782,946 |
| | | | 5,324,851 |
| Ohio (7.9%) | | | |
| American Muni. Pwr. □ Ohio, Inc. Rev. Bonds, 5 1/4s, 2/15/33 ^T | AAA | 10,000,000 | 10,481,262 |

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American Muni. Pwr. Ohio, Inc. Rev. Bonds
(Prairie State Energy Campus), Ser. A, 5 1/4s, 2/15/43 A1 1,000,000 1,042,030

Buckeye, Tobacco Settlement Fin. Auth. Rev. Bonds,
Ser. A-2

5 7/8s, 6/1/47 BBB 5,250,000 3,940,913

5 3/4s, 6/1/34 BBB 14,300,000 11,213,344

5 1/8s, 6/1/24 BBB 2,070,000 1,903,096

Hickory Chase, Cmnty. Auth. Infrastructure Impt.
Rev. Bonds (Hickory Chase), 7s, 12/1/38 BB \square /P 700,000 472,563

Lake Cnty., Hosp. Fac. Rev. Bonds
(Lake Hosp. Syst.), Ser. C, 6s, 8/15/43 Baa1 3,100,000 3,139,896

OH State Higher Ed. Fac. Comm. Rev. Bonds
(John Carroll U.), 5 1/4s, 11/15/33 A2 500,000 509,325

(U. Hosp. Hlth. Syst.), Ser. 09-A, 6 3/4s, 1/15/39 A2 3,000,000 3,204,060

Scioto Cnty., Hosp. Rev. Bonds (Southern Med. Ctr.),
5 1/2s, 2/15/28 A2 4,660,000 4,745,092

40,651,581

24

MUNICIPAL BONDS AND NOTES (141.1%)* cont. **Rating**** **Principal amount** **Value**

Oregon (1.0%)

Keizer, Special Assmt. Bonds (Keizer Station),
Ser. A, 5.2s, 6/1/31 A3 \$2,275,000 \$2,323,003

Multnomah Cnty., Hosp. Fac. Auth. Rev. Bonds
(Terwilliger Plaza), Ser. A, 5 1/4s, 12/1/26 BB \square /P 1,040,000 960,814

OR Hlth. Sciences U. Rev. Bonds, Ser. A,
5 3/4s, 7/1/39 A2 1,250,000 1,361,213

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| | | | |
|--|-----|---------|---------|
| OR State Hsg. & Cmnty. Svcs. Dept. Rev. Bonds (Single Family Mtge.), Ser. K, 5 5/8s, 7/1/29 | Aa2 | 530,000 | 551,099 |
|--|-----|---------|---------|

5,196,129

Pennsylvania (3.7%)

| | | | |
|---|----|-----------|-----------|
| Allegheny Cnty., Hosp. Dev. Auth. Rev. Bonds (Hlth. Syst.-West PA), Ser. A, 5 3/8s, 11/15/40 | BB | 1,500,000 | 1,207,035 |
|---|----|-----------|-----------|

| | | | |
|---|------|-----------|-----------|
| Bucks Cnty., Indl. Dev. Auth. Rev. Bonds (USX Corp.), 5.6s, 3/1/33 | Baa1 | 2,025,000 | 2,030,224 |
|---|------|-----------|-----------|

| | | | |
|---|------|-----------|-----------|
| Bucks Cnty., Indl. Dev. Auth. Retirement Cmnty. Rev. Bonds (Ann ^u s Choice, Inc.), Ser. A 5.4s, 1/1/15 | BB/P | 1,060,000 | 1,046,220 |
| 5.3s, 1/1/14 | BB/P | 710,000 | 710,646 |

| | | | |
|--|------|-----------|-----------|
| Cumberland Cnty., Muni. Auth. Rev. Bonds (Presbyterian Homes), Ser. A, 5s, 1/1/17 | BBB+ | 1,320,000 | 1,329,372 |
|--|------|-----------|-----------|

| | | | |
|--|-----|---------|---------|
| Erie, Higher Ed. Bldg. Auth. Rev. Bonds (Mercyhurst College), 5 1/2s, 3/15/38 | BBB | 725,000 | 731,714 |
|--|-----|---------|---------|

| | | | |
|--|----|-----------|-----------|
| Lancaster, Higher Ed. Auth. College Rev. Bonds (Franklin & Marshall College), 5s, 4/15/29 | A1 | 1,000,000 | 1,024,330 |
|--|----|-----------|-----------|

| | | | |
|---|-----|-----------|-----------|
| New Morgan, Indl. Dev. Auth. Solid Waste Disp. Rev. Bonds (New Morgan Landfill Co., Inc.), 6 1/2s, 4/1/19 | BBB | 1,000,000 | 1,003,230 |
|---|-----|-----------|-----------|

| | | | |
|--|----|-----------|-----------|
| Northampton Cnty., Hosp. Auth. Rev. Bonds (Saint Luke's Hosp.), Ser. A, 5 1/2s, 8/15/40 | A3 | 1,250,000 | 1,231,750 |
|--|----|-----------|-----------|

| | | | |
|---|------|-----------|-----------|
| PA State Higher Edl. Fac. Auth. Rev. Bonds (Widener U.), 5 3/8s, 7/15/29 | BBB+ | 750,000 | 754,193 |
| (Philadelphia U.), 5s, 6/1/30 | Baa2 | 2,250,000 | 2,057,984 |
| (Philadelphia U.), 5s, 6/1/22 | Baa2 | 860,000 | 852,286 |

| | | | |
|--|----|------------|-----------|
| PA State Tpk. Comm. Oil Franchise Tax Rev. Bonds, Ser. C, zero %, 12/1/39 | AA | 19,000,000 | 3,564,020 |
|--|----|------------|-----------|

Philadelphia, Hosp. & Higher Ed. Fac. Auth. Rev. Bonds

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(Hosp.-Graduate Hlth. Sys.), Ser. A, 6 1/4s,
7/1/13 (In default) □ D/P 1,462,206 439

Philadelphia, Hosp. & Higher Ed. Fac. Auth. VRDN
(Children's Hosp. of Philadelphia), Ser. A,
0.24s, 7/1/31 VMIG1 800,000 800,000

Susquehanna, Area Regl. Arpt. Syst. Auth.
Rev. Bonds, Ser. A, 6 1/2s, 1/1/38 Baa3 550,000 544,368

18,887,811

Puerto Rico (6.1%)

Cmnwlth. of PR, G.O. Bonds

Ser. B, 6s, 7/1/39 A3 5,000,000 5,325,550

Ser. C, 6s, 7/1/39 A3 2,500,000 2,662,775

Ser. A, 5s, 7/1/16 A3 5,000,000 5,334,800

Cmnwlth. of PR, Aqueduct & Swr. Auth. Rev. Bonds,

Ser. A, 6s, 7/1/38 Baa1 4,125,000 4,344,532

25

MUNICIPAL BONDS AND NOTES (141.1%)* cont. Rating Principal amount Value**

Puerto Rico cont.

Cmnwlth. of PR, Elec. Pwr. Auth. Rev. Bonds,

Ser. XX, 5 1/4s, 7/1/40 A3 \$3,000,000 \$3,035,100

Cmnwlth. of PR, Infrastructure Fin. Auth.

Special Tax Bonds, Ser. C, AMBAC, 5 1/2s, 7/1/26 A3 1,000,000 1,035,770

Cmnwlth. of PR, Pub. Bldg. Auth. Mandatory Put Bonds

(Govt. Fac.), Ser. M-2, 5 3/4s, 7/1/17 A3 1,750,000 1,888,005

Cmnwlth. of PR, Sales Tax Fin. Corp. Rev. Bonds,

Ser. A, zero %, 8/1/30 A+ 27,000,000 7,923,960

31,550,492

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Rhode Island (0%)

Tobacco Settlement Fin. Corp. Rev. Bonds,

| | | | |
|------------------------|-----|---------|---------|
| Ser. A, 6 1/4s, 6/1/42 | BBB | 200,000 | 191,986 |
|------------------------|-----|---------|---------|

191,986

South Carolina (2.5%)

Georgetown Cnty., Env. Impt. Rev. Bonds

| | | | |
|---|-----|-----------|-----------|
| (Intl. Paper Co.), Ser. A, 5.7s, 4/1/14 | BBB | 1,000,000 | 1,087,240 |
|---|-----|-----------|-----------|

Orangeburg Cnty., Solid Waste Disp. Fac. Rev. Bonds

| | | | |
|--|---|-----------|-----------|
| (SC Elec. & Gas), AMBAC, 5.7s, 11/1/24 | A | 2,500,000 | 2,506,650 |
|--|---|-----------|-----------|

SC Hosp. Auth. Rev. Bonds (Med. U.), Ser. A,

| | | | |
|-------------------------------|-----|-----------|-----------|
| 6 1/2s, 8/15/32 (Prerefunded) | AAA | 2,000,000 | 2,256,780 |
|-------------------------------|-----|-----------|-----------|

SC Jobs Econ. Dev. Auth. Hosp. Fac. Rev. Bonds

(Palmetto Hlth.)

| | | | |
|--|-------|-----------|-----------|
| Ser. A, 7 3/8s, 12/15/21 (Prerefunded) | AAA/P | 1,300,000 | 1,379,963 |
|--|-------|-----------|-----------|

| | | | |
|----------------------------------|------|-----------|-----------|
| Ser. C, 6s, 8/1/20 (Prerefunded) | Baa1 | 2,445,000 | 2,800,698 |
|----------------------------------|------|-----------|-----------|

| | | | |
|----------------------------------|------|---------|---------|
| Ser. C, 6s, 8/1/20 (Prerefunded) | Baa1 | 305,000 | 349,371 |
|----------------------------------|------|---------|---------|

SC Trans. Infrastructure Bk. Rev. Bonds,

| | | | |
|----------------------------|-----|-----------|-----------|
| Ser. A, AMBAC, 5s, 10/1/27 | Aa3 | 2,460,000 | 2,552,324 |
|----------------------------|-----|-----------|-----------|

12,933,026

South Dakota (0.8%)

SD Edl. Enhancement Funding Corp. SD Tobacco

| | | | |
|------------------------------------|-----|-----------|-----------|
| Rev. Bonds, Ser. B, 6 1/2s, 6/1/32 | BBB | 2,450,000 | 2,453,871 |
|------------------------------------|-----|-----------|-----------|

SD Hsg. Dev. Auth. Rev. Bonds

| | | | |
|--|-----|-----------|-----------|
| (Home Ownership), Ser. C, 5 3/8s, 5/1/18 | AAA | 1,255,000 | 1,255,828 |
|--|-----|-----------|-----------|

| | | | |
|--|-----|---------|---------|
| (Home Ownership), Ser. J, 4 1/2s, 5/1/17 | AAA | 500,000 | 510,455 |
|--|-----|---------|---------|

4,220,154

Tennessee (1.1%)

Johnson City, Hlth. & Edl. Fac. Board Hosp. Rev. Bonds

(First Mtge. Mountain States Hlth.), Ser. A, 7 1/2s,

| | | | |
|----------------------|------|-----------|-----------|
| 7/1/25 (Prerefunded) | Baa1 | 2,000,000 | 2,263,520 |
|----------------------|------|-----------|-----------|

| | | | |
|--|------|-----------|-----------|
| (Mountain States Hlth. Alliance), 6s, 7/1/38 | Baa1 | 3,450,000 | 3,502,094 |
|--|------|-----------|-----------|

5,765,614

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Texas (16.8%)

Abilene, Hlth. Fac. Dev. Corp. Retirement Fac.

| | | | |
|--|------|-----------|---------|
| (Sears Methodist Retirement), 6s, 11/15/29 | B+/P | 1,050,000 | 844,211 |
|--|------|-----------|---------|

Alliance, Arpt. Auth. Rev. Bonds

| | | | |
|--|------|-----------|-----------|
| (Federal Express Corp.), 4.85s, 4/1/21 | Baa2 | 3,250,000 | 3,247,140 |
|--|------|-----------|-----------|

Brazoria Cnty., Brazos River Harbor Naval Dist. Env.

| | | | |
|--|------|---------|---------|
| FRN (Dow Chemical Co.), Ser. A-4, 5.95s, 5/15/33 | BBB- | 400,000 | 401,788 |
|--|------|---------|---------|

Brazos River, Auth. Poll. Control Rev. Bonds

(TXU Energy Co., LLC)

| | | | |
|--------------------------|-----|---------|---------|
| Ser. D-1, 8 1/4s, 5/1/33 | CCC | 500,000 | 323,150 |
|--------------------------|-----|---------|---------|

| | | | |
|------------|-----|---------|---------|
| 5s, 3/1/41 | CCC | 500,000 | 232,630 |
|------------|-----|---------|---------|

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| MUNICIPAL BONDS AND NOTES (141.1%)* cont. | Rating** | Principal amount | Value |
|--|-----------------|-------------------------|--------------|
|--|-----------------|-------------------------|--------------|

Texas cont.

Brazos, Harbor Indl. Dev. Corp. Env. Fac. Mandatory

| | | | |
|--|------|-------------|-------------|
| Put Bonds (Dow Chemical), 5.9s, 5/1/28 | BBB□ | \$2,850,000 | \$2,891,610 |
|--|------|-------------|-------------|

Dallas Cnty., Util. & Reclamation Dist. G.O. Bonds,

| | | | |
|--------------------------------|----|-----------|-----------|
| Ser. B, AMBAC, 5 3/8s, 2/15/29 | A3 | 4,000,000 | 3,978,600 |
|--------------------------------|----|-----------|-----------|

Dallas, Area Rapid Transit Rev. Bonds Sr. Lien,

| | | | |
|--------------------------|-----|------------|------------|
| 5s, 12/1/33 ^T | AAA | 30,000,000 | 31,606,104 |
|--------------------------|-----|------------|------------|

Gulf Coast, Waste Disp. Auth. Rev. Bonds

| | | | |
|--------------------------------------|------|-----------|-----------|
| (Valero Energy Corp.), 6.65s, 4/1/32 | Baa2 | 1,000,000 | 1,007,540 |
|--------------------------------------|------|-----------|-----------|

| | | | |
|----------------------|-----|---------|---------|
| Ser. A, 6.1s, 8/1/24 | BBB | 550,000 | 551,986 |
|----------------------|-----|---------|---------|

Harris Cnty., Cultural Ed. Fac. Fin. Corp. VRDN

| | | | |
|--|-------|-----------|-----------|
| (Texas Med. Ctr.), Ser. B-1, 0.25s, 9/1/31 | VMIG1 | 2,110,000 | 2,110,000 |
|--|-------|-----------|-----------|

Harris Cnty., Houston Sports Auth. Rev. Bonds,

| | | | |
|--------------------------------|---|------------|-----------|
| Ser. H, NATL, zero %, 11/15/25 | A | 11,000,000 | 4,142,050 |
|--------------------------------|---|------------|-----------|

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| | | | |
|---|------|-----------|-----------|
| Lower CO River Auth. Rev. Bonds, 5 3/4s, 5/15/37 | A1 | 2,400,000 | 2,513,832 |
| Matagorda Cnty., Poll. Control Rev. Bonds (Dist. No. 1), Ser. A, AMBAC, 4.4s, 5/1/30 | Baa2 | 1,500,000 | 1,301,400 |
| Mission, Econ. Dev. Corp. Solid Waste Disp. Rev. Bonds (Allied Waste N.A. Inc.), Ser. A, 5.2s, 4/1/18 | BBB | 1,200,000 | 1,205,328 |
| North TX, Thruway Auth. Rev. Bonds Ser. A, 6s, 1/1/25 | A2 | 1,300,000 | 1,412,736 |
| Ser. D, AGO, zero %, 1/1/28 | AAA | 7,800,000 | 2,972,190 |
| (Toll 2nd Tier), Ser. F, 5 3/4s, 1/1/38 | A3 | 2,000,000 | 2,064,760 |
| North TX, Thruway Auth. stepped-coupon Rev. Bonds, zero %, (6.5s, 1/1/15) 2043 □□ | A2 | 4,000,000 | 3,113,480 |
| Sam Rayburn Muni. Pwr. Agcy. Rev. Bonds, 6s, 10/1/21 | Baa2 | 2,350,000 | 2,413,214 |
| San Antonio Wtr. Rev. Bonds, Ser. A, AGM, 5s, 5/15/32 | AAA | 2,000,000 | 2,060,580 |
| Tarrant Cnty., Cultural Ed. Fac. Fin. Corp. Retirement Fac. Rev. Bonds (Buckner Retirement Svcs., Inc.), 5 1/4s, 11/15/37 | A□ | 1,100,000 | 1,044,780 |
| Tomball, Hosp. Auth. Rev. Bonds (Tomball Regl. Hosp.) 6s, 7/1/29 | Baa3 | 2,000,000 | 1,901,620 |
| 6s, 7/1/19 | Baa3 | 1,700,000 | 1,703,213 |
| TX Muni. Gas Acquisition & Supply Corp. I Rev. Bonds, Ser. A, 5s, 12/15/15 | A2 | 3,000,000 | 3,090,000 |
| TX State Tpk. Auth. Rev. Bonds (Central Texas Tpk. Syst.), Ser. A, AMBAC, 5 1/2s, 8/15/39 | Baa1 | 8,000,000 | 8,033,200 |

86,167,142

Utah (0.4%)

Salt Lake City, Hosp. Rev. Bonds, AMBAC,

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| | | | |
|--|-------|-------------|-------------------|
| 6 3/4s, 5/15/20 (Prerefunded) | AAA/P | 1,900,000 | 1,902,071 |
| | | | 1,902,071 |
| Virginia (1.1%) | | | |
| Henrico Cnty., Econ. Dev. Auth. Res. Care Fac. Rev. | | | |
| Bonds (United Methodist), Ser. A, 6.7s, 6/1/27 | BB+/P | 735,000 | 737,756 |
| Prince William Cnty., Indl. Dev. Auth. Hosp. Rev. Bonds (Potomac Hosp. Corp.), 5.35s, 10/1/36 | | | |
| | Baa1 | 2,500,000 | 2,434,375 |
| WA Cnty., Indl. Dev. Auth. Hosp. Fac. Rev. Bonds (Mountain States Hlth. Alliance), Ser. C, 7 3/4s, 7/1/38 | | | |
| | Baa1 | 2,100,000 | 2,387,616 |
| | | | 5,559,747 |
| 27 | | | |
| MUNICIPAL BONDS AND NOTES (141.1%)* cont. | | | |
| Washington (2.3%) | | | |
| Chelan Cnty. Dev. Corp. Rev. Bonds (Alcoa), 5.85s, 12/1/31 | | | |
| | Baa3 | \$4,000,000 | \$4,001,720 |
| Everett, Pub. Fac. Dist. Ltd. Sales Tax & Interlocal Rev. Bonds, Ser. A | | | |
| 5s, 12/1/22 | A□ | 940,000 | 961,366 |
| 5s, 12/1/21 | A□ | 940,000 | 966,809 |
| Tobacco Settlement Auth. of WA Rev. Bonds | | | |
| 6 5/8s, 6/1/32 | BBB | 900,000 | 910,494 |
| 6 1/2s, 6/1/26 | BBB | 5,025,000 | 5,182,181 |
| | | | 12,022,570 |
| West Virginia (1.2%) | | | |
| Harrison Cnty., Cmnty. Solid Waste Disp. Rev. Bonds (Allegheny Energy), Ser. D, 5 1/2s, 10/15/37 | | | |
| | BBB | 3,450,000 | 3,137,464 |
| Princeton, Hosp. Rev. Bonds (Cmnty. Hosp. Assn., Inc.), 6.1s, 5/1/29 | | | |
| | BB | 2,025,000 | 1,887,300 |

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| | | | |
|---|-----|---------|---------|
| WV State Hosp. Fin. Auth. Rev. Bonds (Thomas Hlth. Syst.), 6 3/4s, 10/1/43 | B/P | 935,000 | 914,318 |
|---|-----|---------|---------|

5,939,082

Wisconsin (4.3%)

Badger, Tobacco Settlement Asset Securitization

Corp. Rev. Bonds

| | | | |
|------------------------------|-----|-----------|-----------|
| 7s, 6/1/28 (Prerefunded) | Aaa | 7,000,000 | 7,866,880 |
| 6 3/8s, 6/1/32 (Prerefunded) | Aaa | 8,600,000 | 9,555,030 |

| | | | |
|---|-----|-----------|-----------|
| WI State Rev. Bonds, Ser. A, 6s, 5/1/27 | Aa3 | 2,500,000 | 2,844,050 |
|---|-----|-----------|-----------|

WI State Hlth. & Edl. Fac. Auth. Rev. Bonds

| | | | |
|---|----|-----------|-----------|
| (Prohealth Care, Inc.), 6 5/8s, 2/15/39 | A1 | 1,500,000 | 1,624,770 |
|---|----|-----------|-----------|

21,890,730

Wyoming (0.8%)

Campbell Cnty., Solid Waste Fac. Rev. Bonds

| | | | |
|---|----|-----------|-----------|
| (Basin Elec. Pwr. Co-op), Ser. A, 5 3/4s, 7/15/39 | A1 | 2,000,000 | 2,142,820 |
|---|----|-----------|-----------|

WY Muni. Pwr. Agcy. Rev. Bonds (Pwr. Supply)

| | | | |
|------------------------|----|-----------|-----------|
| Ser. A, 5 1/2s, 1/1/33 | A2 | 950,000 | 1,003,960 |
| Ser. A, 5 1/2s, 1/1/28 | A2 | 1,000,000 | 1,073,470 |

4,220,250

TOTAL INVESTMENTS

Total investments (cost \$712,176,798) \$725,473,735

Notes to the fund's portfolio

The Notes to the fund's portfolio are for the reporting period ended April 30, 2010.

* Percentages indicated are based on net assets of \$514,093,026.

** The Moody's, Standard & Poor's or Fitch ratings indicated are believed to be the most recent ratings available at the close of the reporting period for the securities listed. Ratings are generally ascribed to securities at the time of issuance. While the agencies may from time to time revise such ratings, they undertake no obligation to do so, and the ratings do not necessarily represent what the agencies would ascribe to these securities at the close of the reporting period. Securities rated by Putnam are indicated by P. Securities rated by Fitch are indicated by F. The rating of an insured security represents what is believed to be the most recent rating of the insurer's claims-paying ability available at the close of the reporting period and does not reflect any subsequent changes. Ratings are not covered by the Report of Independent Registered Public Accounting Firm.

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☐ Non-income-producing security.

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

T Underlying security in a tender option bond transaction. The security has been segregated as collateral for financing transactions.

Debt obligations are considered secured unless otherwise indicated.

The rates shown on FRB, FRN, Mandatory Put Bonds and VRDN are the current interest rates at the close of the reporting period.

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

The dates shown on debt obligations other than Mandatory Put Bonds are the original maturity dates.

The fund had the following sector concentrations greater than 10% at the close of the reporting period (as a percentage of net assets):

| | |
|------------------|-------|
| Health care | 33.0% |
| Utilities | 23.0 |
| State government | 10.3 |
| Prerefunded | 10.2 |
| Local government | 10.1 |

Accounting Standards Codification ASC 820 Fair Value Measurements and Disclosures (ASC 820) establishes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of the fund's investments. The three levels are defined as follows:

Level 1 ☐ Valuations based on quoted prices for identical securities in active markets.

Level 2 ☐ Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 ☐ Valuations based on inputs that are unobservable and significant to the fair value measurement.

The following is a summary of the inputs used to value the fund's net assets as of the close of the reporting period:

Valuation inputs

| Investments in securities: | Level 1 | Level 2 | Level 3 |
|----------------------------|------------|----------------------|------------|
| Municipal bonds and notes | \$☐ | \$725,473,735 | \$☐ |
| Totals by level | \$☐ | \$725,473,735 | \$☐ |

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

Statement of assets and liabilities 4/30/10**ASSETS**

| | |
|--|--------------------|
| Investment in securities, at value (Note 1): | |
| Unaffiliated issuers (identified cost \$712,176,798) | \$725,473,735 |
| Cash | 325,429 |
| Interest and other receivables | 11,138,267 |
| Receivable for investments sold | 1,935,736 |
| Total assets | 738,873,167 |

LIABILITIES

| | |
|--|------------|
| Preferred share remarketing agent fees | 44,713 |
| Distributions payable to shareholders | 2,840,285 |
| Distributions payable to preferred shareholders (Note 1) | 5,756 |
| Payable for investments purchased | 500,000 |
| Payable for compensation of Manager (Note 2) | 945,886 |
| Payable for investor servicing fees (Note 2) | 21,256 |
| Payable for custodian fees (Note 2) | 3,636 |
| Payable for Trustee compensation and expenses (Note 2) | 186,939 |
| Payable for administrative services (Note 2) | 1,567 |
| Payable for floating rate notes issued (Note 1) | 41,188,917 |

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| | |
|------------------------|---------|
| Other accrued expenses | 191,186 |
|------------------------|---------|

| | |
|--------------------------|-------------------|
| Total liabilities | 45,930,141 |
|--------------------------|-------------------|

| | |
|---|------------|
| Series B remarketed preferred shares: (3,417 shares authorized and issued at \$25,000 per share) (Note 4) | 85,425,000 |
|---|------------|

| | |
|---|------------|
| Series C remarketed preferred shares: (3,737 shares authorized and issued at \$25,000 per share) (Note 4) | 93,425,000 |
|---|------------|

| | |
|-------------------|----------------------|
| Net assets | \$514,093,026 |
|-------------------|----------------------|

REPRESENTED BY

| | |
|---|---------------|
| Paid-in capital □ common shares (Unlimited shares authorized) (Notes 1 and 5) | \$546,829,783 |
|---|---------------|

| | |
|--|-----------|
| Undistributed net investment income (Note 1) | 1,452,291 |
|--|-----------|

| | |
|---|--------------|
| Accumulated net realized loss on investments (Note 1) | (47,485,985) |
|---|--------------|

| | |
|--|------------|
| Net unrealized appreciation of investments | 13,296,937 |
|--|------------|

| | |
|--|----------------------|
| Total □ Representing net assets applicable to common shares outstanding | \$514,093,026 |
|--|----------------------|

COMPUTATION OF NET ASSET VALUE

| | |
|--|----------------|
| Net asset value per common share (\$514,093,026 divided by 42,871,374 shares) | \$11.99 |
|--|----------------|

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

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Statement of operations Year ended 4/30/10

| | |
|------------------------|---------------------|
| INTEREST INCOME | \$40,153,394 |
|------------------------|---------------------|

EXPENSES

| | |
|----------------------------------|-------------|
| Compensation of Manager (Note 2) | \$3,694,986 |
|----------------------------------|-------------|

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| | |
|--|---------------------|
| Investor servicing fees (Note 2) | 246,045 |
| Custodian fees (Note 2) | 12,590 |
| Trustee compensation and expenses (Note 2) | 39,645 |
| Administrative services (Note 2) | 24,115 |
| Interest and fee expense (Note 1) | 317,066 |
| Preferred share remarketing agent fees | 454,577 |
| Other | 525,638 |
| Total expenses | 5,314,662 |
| Expense reduction (Note 2) | (1,802) |
| Net expenses | 5,312,860 |
| Net investment income | 34,840,534 |
| Net realized loss on investments (Notes 1 and 3) | (3,063,682) |
| Net unrealized appreciation of investments during the year | 67,796,780 |
| Net gain on investments | 64,733,098 |
| Net increase in net assets resulting from operations | \$99,573,632 |
| DISTRIBUTIONS TO SERIES B, AND C, REMARKETED PREFERRED SHAREHOLDERS (NOTE 1): | |
| From ordinary income | |
| Taxable net investment income | (35,420) |
| From tax exempt net investment income | (768,199) |

Net increase in net assets resulting from operations (applicable to common shareholders) \$98,770,013

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

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Statement of changes in net assets

| INCREASE (DECREASE) IN NET ASSETS | Year ended 4/30/10 | Year ended 4/30/09 |
|--|--------------------|---------------------|
| Operations: | | |
| Net investment income | \$34,840,534 | \$37,714,486 |
| Net realized loss on investments | (3,063,682) | (16,501,243) |
| Net unrealized appreciation (depreciation) of investments | 67,796,780 | (67,589,013) |
| Net increase (decrease) in net assets resulting from operations | 99,573,632 | (46,375,770) |
| DISTRIBUTIONS TO SERIES A, B, AND C REMARKETED PREFERRED SHAREHOLDERS (NOTE 1): | | |
| From ordinary income | | |
| Taxable net investment income | (35,420) | (45,666) |
| From tax exempt net investment income | (768,199) | (8,057,144) |
| Net increase (decrease) in net assets resulting from operations (applicable to common shareholders) | 98,770,013 | (54,478,580) |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS (NOTE 1): | | |
| From ordinary income | | |
| Taxable net investment income | (178,731) | (83,926) |
| From tax exempt net investment income | (33,179,485) | (29,260,125) |
| Decrease from capital shares repurchased (Note 5) | □ | (4,924,517) |
| Total increase (decrease) in net assets | 65,411,797 | (88,747,148) |

NET ASSETS

| | | |
|---|----------------------|----------------------|
| Beginning of year | 448,681,229 | 537,428,377 |
| End of year (including undistributed net investment income of \$1,452,291 and \$867,328, respectively) | \$514,093,026 | \$448,681,229 |

NUMBER OF FUND SHARES

| | | |
|---|-------------------|-------------------|
| Common shares outstanding at beginning of year | 42,871,374 | 43,318,703 |
| Shares repurchased (Note 5) | □ | (447,329) |
| Common shares outstanding at end of year | 42,871,374 | 42,871,374 |
| Remarketed preferred shares outstanding at beginning of year | 7,154 | 15,760 |
| Preferred shares redeemed □ Series A (Note 4) | □ | (4,520) |
| Preferred shares redeemed □ Series B (Note 4) | □ | (603) |
| Preferred shares redeemed □ Series C (Note 4) | □ | (3,483) |
| Remarketed preferred shares outstanding at end of year | 7,154 | 7,154 |

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

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Financial highlights (For a common share outstanding throughout the period)

PER-SHARE OPERATING PERFORMANCE

| | Year ended | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| | 4/30/10 | 4/30/09 | 4/30/08 | 4/30/07 | 4/30/06 |
| Net asset value, beginning of period (common shares) | \$10.47 | \$12.41 | \$13.19 | \$12.85 | \$13.15 |

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Investment operations:

| | | | | | |
|------------------------------------|-----|------------------|------------------|-----|-----|
| Net investment income ^a | .81 | .88 ^e | .93 ^e | .89 | .86 |
|------------------------------------|-----|------------------|------------------|-----|-----|

| | | | | | |
|--|------|--------|-------|-----|-------|
| Net realized and unrealized gain (loss) on investments | 1.51 | (1.96) | (.88) | .23 | (.30) |
|--|------|--------|-------|-----|-------|

| | | | | | |
|---|-------------|---------------|------------|-------------|------------|
| Total from investment operations | 2.32 | (1.08) | .05 | 1.12 | .56 |
|---|-------------|---------------|------------|-------------|------------|

Distributions to preferred shareholders:

| | | | | | |
|----------------------------|-------|-------|-------|-------|-------|
| From net investment income | (.02) | (.19) | (.33) | (.28) | (.21) |
|----------------------------|-------|-------|-------|-------|-------|

| | | | | | |
|---|-------------|---------------|--------------|------------|------------|
| Total from investment operations (applicable to common shareholders) | 2.30 | (1.27) | (.28) | .84 | .35 |
|---|-------------|---------------|--------------|------------|------------|

Distributions to common shareholders:

| | | | | | |
|----------------------------|-------|-------|-------|-------|-------|
| From net investment income | (.78) | (.68) | (.57) | (.57) | (.68) |
|----------------------------|-------|-------|-------|-------|-------|

| | | | | | |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| Total distributions | (.78) | (.68) | (.57) | (.57) | (.68) |
|----------------------------|--------------|--------------|--------------|--------------|--------------|

| | | | | | |
|---|----------|------------|------------|------------|------------|
| Increase from shares repurchased | □ | .01 | .07 | .07 | .03 |
|---|----------|------------|------------|------------|------------|

| | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| Net asset value, end of period (common shares) | \$11.99 | \$10.47 | \$12.41 | \$13.19 | \$12.85 |
|---|----------------|----------------|----------------|----------------|----------------|

| | | | | | |
|--|----------------|---------------|----------------|----------------|----------------|
| Market price, end of period (common shares) | \$11.43 | \$9.73 | \$11.13 | \$12.20 | \$11.68 |
|--|----------------|---------------|----------------|----------------|----------------|

| | | | | | |
|--|--------------|---------------|---------------|-------------|-------------|
| Total return at market price (%) (common shares) ^b | 26.10 | (6.32) | (4.09) | 9.64 | 5.61 |
|--|--------------|---------------|---------------|-------------|-------------|

RATIOS AND SUPPLEMENTAL DATA

| | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| Net assets, end of period (common shares)(in thousands) | \$514,093 | \$448,681 | \$537,428 | \$200,176 | \$203,548 |
|--|------------------|------------------|------------------|------------------|------------------|

| | | | | | |
|---|------|-------------------|-------------------|------|------|
| Ratio of expenses to average net assets (excluding interest expense) (%) ^{c,d} | 1.02 | 1.25 ^e | 1.44 ^e | 1.28 | 1.37 |
|---|------|-------------------|-------------------|------|------|

Ratio of expenses to average net assets

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| | | | | | |
|--|---------------|-----------------|---------------|-------|-------|
| (including interest expense) (%) c,d | 1.08 f | 1.38 e,f | 1.44 e | 1.28 | 1.37 |
| <hr/> | | | | | |
| Ratio of net investment income to average net assets (%) d | 6.91 | 6.31 e | 4.86 e | 4.61 | 4.92 |
| <hr/> | | | | | |
| Portfolio turnover (%) | 22.97 | 31.32 | 44.85 | 12.60 | 10.74 |
| <hr/> | | | | | |

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

b Total return assumes dividend reinvestment.

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

d Ratios reflect net assets available to common shares only: net investment income ratio also reflects reduction for dividend payments to preferred shareholders.

e Reflects waiver of certain fund expenses in connection with the fund's remarketed preferred shares during the period. As a result of such waivers, the expenses of the fund for the period ended April 30, 2009 and April 30, 2008 reflect a reduction of 0.03% and less than 0.01% of average net assets, respectively (Note 2).

f Includes interest and fee expense associated with borrowings which amounted to 0.06% and 0.13% of average net assets for the periods ended April 30, 2010 and April 30, 2009, respectively (Note 1).

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

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Notes to financial statements 4/30/10

Note 1: Significant accounting policies

Putnam Municipal Opportunities Trust (the fund) is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end management investment company. The fund's investment objective is to seek as high a level of current income exempt from federal income tax as Putnam Investment Management, LLC (Putnam Management), the fund's manager, a wholly-owned subsidiary of Putnam Investments, LLC believes is consistent with the preservation of capital. The fund intends to achieve its objective by investing in a portfolio of investment grade and some below investment-grade municipal bonds selected by Putnam Management.

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

The following is a summary of significant accounting policies consistently followed by the fund in the preparation of its financial statements. The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates. Subsequent events after the balance sheet date through the date that the financial statements were issued, June 10, 2010, have been evaluated in the preparation of the financial statements.

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A) Security valuation Tax-exempt bonds and notes are generally valued on the basis of valuations provided by an independent pricing service approved by the Trustees. Such services use information with respect to transactions in bonds, quotations from bond dealers, market transactions in comparable securities and various relationships between securities in determining value. Certain investments, including certain restricted and illiquid securities and derivatives are also valued at fair value following procedures approved by the Trustees. Such valuations and procedures are reviewed periodically by the Trustees. The fair value of securities is generally determined as the amount that the fund could reasonably expect to realize from an orderly disposition of such securities over a reasonable period of time. By its nature, a fair value price is a good faith estimate of the value of a security in a current sale and does not reflect an actual market price, which may be different by a material amount.

B) Security transactions and related investment income Security transactions are recorded on the trade date (the date the order to buy or sell is executed). Gains or losses on securities sold are determined on the identified cost basis. Interest income is recorded on the accrual basis. All premiums/discounts are amortized/accreted on a yield-to-maturity basis. The premium in excess of the call price, if any, is amortized to the call date; thereafter, any remaining premium is amortized to maturity.

C) Tender option bond transactions The fund may participate in transactions whereby a fixed-rate bond is transferred to a tender option bond trust (TOB trust) sponsored by a broker. The TOB trust funds the purchase of the fixed rate bonds by issuing floating-rate bonds to third parties and allowing the fund to retain the residual interest in the TOB trust's assets and cash flows, which are in the form of inverse floating rate bonds. The inverse floating rate bonds held by the fund give the fund the right to (1) cause the holders of the floating rate bonds to tender their notes at par, and (2) to have the fixed-rate bond held by the TOB trust transferred to the fund, causing the TOB trust to collapse. The fund accounts for the transfer of the fixed-rate bond to the TOB trust as a secured borrowing by including the fixed-rate bond in the fund's portfolio and including the floating rate bond as a liability in the Statement of assets and liabilities. At the close of the reporting period, the fund's investments with a value of \$85,644,769 were held by the TOB trust and served as collateral for \$41,188,917 in floating-rate bonds outstanding. For the reporting period ended, the fund incurred interest expense of \$134,278 for these investments based on an average interest rate of 0.37%.

D) Federal taxes It is the policy of the fund to distribute all of its income within the prescribed time and otherwise comply with the provisions of the Internal Revenue Code of 1986, as amended (the Code), applicable to regulated investment companies. It is also the intention of the fund to distribute an amount sufficient to avoid imposition of any excise tax under Section 4982 of the Code. The fund is subject to the provisions of Accounting Standards Codification ASC 740 *Income Taxes* (ASC 740). ASC 740 sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The fund did not have any unrecognized tax benefits in the accompanying financial statements. No provision has been made for federal

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taxes on income, capital gains or unrealized appreciation on securities held nor for excise tax on income and capital gains. Each of the fund's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service and state departments of revenue.

At April 30, 2010, the fund had a capital loss carryover of \$46,588,946 available to the extent allowed by the Code to offset future net capital gain, if any. The amounts of the carryovers and the expiration dates are:

| Loss Carryover | Expiration |
|-----------------------|-------------------|
| \$10,138,476 | April 30, 2011 |
| 9,779,755 | April 30, 2012 |
| 2,388,286 | April 30, 2013 |
| 897,370 | April 30, 2014 |
| 1,545,945 | April 30, 2015 |

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| | |
|------------|----------------|
| 884,324 | April 30, 2016 |
| 16,106,777 | April 30, 2017 |
| 4,848,013 | April 30, 2018 |

Pursuant to federal income tax regulations applicable to regulated investment companies, the fund has elected to defer to its fiscal year ending April 30, 2011 \$1,329,377 of losses recognized during the period November 1, 2009 to April 30, 2010.

E) Distributions to shareholders Distributions to common and preferred shareholders from net investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. Dividends on remarketed preferred shares become payable when, as and if declared by the Trustees. Each dividend period for the remarketed preferred shares is generally a 7 day period. The applicable dividend rate for the remarketed preferred shares on April 30, 2010 was 0.487% for Series B, and 0.472% for Series C.

During the reporting period, the fund has experienced unsuccessful remarketings of its remarketed preferred shares. As a result, dividends to the remarketed preferred shares have been paid at the "maximum dividend rate," pursuant to the fund's by-laws, which, based on the current credit quality of the remarketed preferred shares, equals 110% of the higher of the 30-day "AA" composite commercial paper rate and the taxable equivalent of the short-term municipal bond rate.

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. These differences include temporary and/or permanent differences of post-October loss deferrals, the expiration of capital loss carryover, dividends payable, defaulted bond interest, and market discount. Reclassifications are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. For the reporting period ended, the fund reclassified \$93,736 to decrease undistributed net investment income and \$15,666,951 to decrease paid-in-capital, with a decrease to accumulated net realized losses of \$15,760,687.

The tax basis components of distributable earnings as of the close of the reporting period April 30, 2010 were as follows:

| | |
|--------------------------------------|---------------|
| Unrealized appreciation | \$ 29,771,865 |
| Unrealized depreciation | (16,501,403) |
| Net unrealized appreciation | 13,270,462 |
| Undistributed tax-exempt income | 4,072,678 |
| Undistributed ordinary income | 453,998 |
| Capital loss carryforward | (46,588,946) |
| Post-October loss | (1,329,377) |
| Cost for federal income tax purposes | \$712,203,273 |

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

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The fund pays Putnam Management for management and investment advisory services quarterly based on the average net assets of the fund, including assets attributable to preferred shares. Such fee is based on the lesser of (i) an annual rate of 0.55% of the average weekly net assets attributable to common and preferred shares outstanding or (ii) the following annual rates expressed as a percentage of the fund's average weekly net assets attributable to common and preferred shares outstanding: 0.65% of the first \$500 million and 0.55% of the next \$500 million, with additional breakpoints at higher asset levels.

Effective September 14, 2009 Putnam Investments Limited (PIL), an affiliate of Putnam Management, is authorized by the Trustees to manage a separate portion of the assets of the fund as determined by Putnam Management from time to time. Putnam Management pays a quarterly sub-management fee to PIL for its services at an annual rate of 0.40% of the average net assets of the portion of the fund managed by PIL.

If dividends payable on remarketed preferred shares during any dividend payment period plus any expenses attributable to remarketed preferred shares for that period exceed the fund's gross income attributable to the proceeds of the remarketed preferred shares during that period, then the fee payable to Putnam Management for that period will be reduced by the amount of the excess (but not more than the effective management and administrative service fees rate under the contracts multiplied by the liquidation preference of the remarketed preferred shares outstanding during the period).

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

Custodial functions for the fund's assets are provided by State Street Bank and Trust Company (State Street). Custody fees are based on the fund's asset level, the number of its security holdings and transaction volumes.

Putnam Investor Services, a division of Putnam Fiduciary Trust Company (PFTC), which is an affiliate of Putnam Management, provided investor servicing agent functions to the fund. Putnam Investor Services was paid a monthly fee for investor servicing at an annual rate of 0.05% of the fund's average net assets. The amounts incurred for investor servicing agent functions provided by PFTC during the reporting period are included in Investor servicing fees in the Statement of operations.

The fund has entered into expense offset arrangements with PFTC and State Street whereby PFTC's and State Street's fees are reduced by credits allowed on cash balances. For the reporting period, the fund's expenses were reduced by \$1,802 under the expense offset arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$357, as a quarterly retainer, has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees receive additional fees for attendance at certain committee meetings and industry seminars and for certain compliance-related matters. Trustees also are reimbursed for expenses they incur relating to their services as Trustees.

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

The fund has adopted an unfunded noncontributory defined benefit pension plan (the Pension Plan) covering all Trustees of the fund who have served as a Trustee for at least five years and were first elected prior to 2004. Benefits under the Pension Plan are equal to 50% of the Trustee's average annual attendance and retainer fees for the three years ended December 31, 2005. The retirement benefit is payable during a Trustee's lifetime, beginning the year following retirement, for the number of years of service through December 31, 2006. Pension expense for the fund is included in Trustee compensation and expenses in the Statement of operations. Accrued pension liability is included in Payable for Trustee compensation and expenses in the Statement of assets and liabilities. The Trustees have terminated the Pension Plan with respect to any Trustee first elected after 2003.

Note 3: Purchases and sales of securities

During the reporting period, cost of purchases and proceeds from sales of investment securities other than short-term investments aggregated \$161,478,731 and \$157,641,345, respectively. There were no purchases or sales of U.S. government securities.

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Note 4: Preferred shares

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The Series B and C Remarketed Preferred shares are redeemable at the option of the fund on any dividend payment date at a redemption price of \$25,000 per share, plus an amount equal to any dividends accumulated on a daily basis but unpaid through the redemption date (whether or not such dividends have been declared) and, in certain circumstances, a call premium.

It is anticipated that dividends paid to holders of remarketed preferred shares will be considered tax-exempt dividends under the Internal Revenue Code of 1986. To the extent that the fund earns taxable income and capital gains by the conclusion of a fiscal year, it may be required to apportion to the holders of the remarketed preferred shares throughout that year additional dividends as necessary to result in an after-tax equivalent to the applicable dividend rate for the period.

Under the Investment Company Act of 1940, the fund is required to maintain asset coverage of at least 200% with respect to the remarketed preferred shares. Additionally, the fund's bylaws impose more stringent asset coverage requirements and restrictions relating to the rating of the remarketed preferred shares by the shares' rating agencies. Should these requirements not be met, or should dividends accrued on the remarketed preferred shares not be paid, the fund may be restricted in its ability to declare dividends to common shareholders or may be required to redeem certain of the remarketed preferred shares. At April 30, 2010, no such restrictions have been placed on the fund.

In August 2008, the fund redeemed 678 Series A, 603 Series B and 1,083 Series C Remarketed Preferred shares. The redemption price was equal to the liquidation preference per share (\$25,000) of each series of preferred shares, plus accumulated but unpaid dividends as of the following redemption dates: August 18, 2008 for Series A, August 19, 2008 for Series B and August 22, 2008 for Series C Remarketed Preferred shares. The August 2008 preferred share redemptions represented 15.0% of the fund's \$394,000,000 in outstanding preferred shares at that date.

On November 21, 2008, the fund redeemed an additional 800 Series C Remarketed Preferred shares; this redemption represented approximately 6.0% of the fund's \$334,900,000 (following the previous redemptions) in outstanding preferred shares at that date.

On December 8, 2008 the fund redeemed the remaining 3,842 Series A Remarketed Preferred shares; this redemption represented approximately 30.5% of the fund's \$314,900,000 (following the previous redemptions) in outstanding preferred shares at that date.

On January 16, 2009, the fund redeemed an additional 1,600 Series C Remarketed Preferred shares; this redemption represented approximately 18.3% of the fund's \$218,850,000 (following the previous redemptions) in outstanding preferred shares at that date.

Following the January 2009 redemption the fund's outstanding preferred shares amounted to \$178,850,000.

Note 5: Share repurchase program

In September 2009, the Trustees approved the renewal of the repurchase program to allow the fund to repurchase up to 10% of its outstanding common shares over the 12-month period ending October 7, 2010 (based on shares outstanding as of October 7, 2009). Prior to this renewal, the Trustees had approved a repurchase program to allow the fund to repurchase up to 10% of its outstanding common shares over the 12-month period ending October 7, 2009 (based on shares outstanding as of October 7, 2008) and prior to that, to allow the fund to repurchase up to 10% of its outstanding common shares over the 12-month period ending October 7, 2008 (based on shares outstanding as of October 5, 2007). Repurchases are made when the fund's shares are trading at less than net asset value and in accordance with procedures approved by the fund's Trustees. For the year ended April 30, 2010, the fund has not repurchased any common shares.

Note 6: Share ownership

At period end, to the fund's knowledge, a shareholder owned of record, beneficially, or on behalf of other accounts, 15.1% of the fund's outstanding common shares.

Note 7: Regulatory matters and litigation

In late 2003 and 2004, Putnam Management settled charges brought by the Securities and Exchange Commission (the SEC) and the Massachusetts Securities Division in connection with excessive short-term trading in Putnam funds. Distribution of payments from Putnam Management to certain open-end Putnam funds and their shareholders is expected to be completed in the next several months. These allegations and related matters have served as the

general basis for certain lawsuits, including purported class action lawsuits against Putnam Management and, in a limited number of cases, some Putnam funds. Putnam Management believes that these lawsuits will have no material adverse effect on the funds or on Putnam Management's ability to provide investment management services. In addition, Putnam Management has agreed to bear any costs incurred by the Putnam funds as a result of these matters.

Note 8: Market and credit risk

In the normal course of business, the fund trades financial instruments and enters into financial transactions where risk of potential loss exists due to changes in the market (market risk) or failure of the contracting party to the transaction to perform (credit risk). The fund may be exposed to additional credit risk that an institution or other entity with which the fund has unsettled or open transactions will default.

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Federal tax information (Unaudited)

The fund has designated 99.37% of dividends paid from net investment income during the fiscal year as tax exempt for Federal income tax purposes.

The Form 1099 that will be mailed to you in January 2011 will show the tax status of all distributions paid to your account in calendar 2010.

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Shareholder meeting results (Unaudited)

April 8, 2010 meeting

At the meeting, each of the nominees for Trustees was elected, as follows:

| | Votes for | Votes withheld |
|---------------------|------------------|-----------------------|
| Ravi Akhoury | 17,560,156 | 1,438,073 |
| Jameson A. Baxter | 17,586,776 | 1,411,453 |
| Charles B. Curtis | 17,597,191 | 1,401,038 |
| Robert J. Darretta | 17,588,276 | 1,409,953 |
| Myra R. Drucker | 17,590,398 | 1,407,831 |
| Paul L. Joskow | 17,598,257 | 1,399,972 |
| Elizabeth T. Kennan | 17,566,320 | 1,431,909 |

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| | | |
|--------------------|------------|-----------|
| Kenneth R. Leibler | 17,589,564 | 1,408,665 |
| <hr/> | | |
| George Putnam, III | 17,584,976 | 1,413,253 |
| <hr/> | | |
| Robert L. Reynolds | 17,603,718 | 1,394,511 |
| <hr/> | | |
| W. Thomas Stephens | 17,591,723 | 1,406,506 |
| <hr/> | | |
| Richard B. Worley | 17,598,862 | 1,399,367 |
| <hr/> | | |

Due to a lack of a quorum of preferred shares, preferred shareholders did not transact business as a separate class with respect to the two nominees, John A. Hill and Robert E. Patterson, for election solely by the preferred shareholders.

A proposal recommending that the Trustees consider converting the fund to an open-end format was defeated as follows:

| Votes for | Votes against | Abstentions |
|------------|---------------|-------------|
| <hr/> | | |
| 14,226,749 | 16,549,467 | 722,827 |
| <hr/> | | |

All tabulations are rounded to the nearest whole number.

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About the Trustees

| Name | Year of birth | Position held | Principal occupations during past five years | Other directorships |
|--------------------------|---------------|------------------------|--|---|
| <hr/> | | | | |
| Ravi Akhoury | Born 1947 | Trustee since 2009 | Advisor to New York Life Insurance Company. Trustee of American India Foundation and of the Rubin Museum. From 1992 to 2007, was Chairman and CEO of MacKay Shields, a multi-product investment management firm with over \$40 billion in assets under management. | Jacob Ballas Capital India, a non-banking finance company focused on private equity advisory services |
| <hr/> | | | | |
| Jameson A. Baxter | Born 1943 | Trustee since 1994 and | President of Baxter Associates, Inc., a private investment firm. Chairman of Mutual Fund Directors Forum. Chairman Emeritus of the Board of Trustees of Mount | ASHTA Chemicals, Inc. |

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Vice Chairman since 2005 Holyoke College.

| | | |
|---|--|---|
| <p>Charles B. Curtis Born 1940 Trustee since 2001</p> | <p>President Emeritus of the Nuclear Threat Initiative, a private foundation dealing with national security issues. Senior Advisor to the United Nations Foundation. Senior Advisor to the Center for Strategic and International Studies. Member of the Council on Foreign Relations and the National Petroleum Council.</p> | <p>Edison International; Southern California Edison</p> |
| <p>Robert J. Darretta Born 1946 Trustee since 2007</p> | <p>Health Care Industry Advisor to Permira, a global private equity firm. Until April 2007, was Vice Chairman of the Board of Directors of Johnson & Johnson. Served as Johnson & Johnson's Chief Financial Officer for a decade.</p> | <p>United-Health Group, a diversified health-care company</p> |
| <p>Myra R. Drucker Born 1948 Trustee since 2004</p> | <p>Vice Chair of the Board of Trustees of Sarah Lawrence College, and a member of the Investment Committee of the Kresge Foundation, a charitable trust. Retired in 2009 as Chair of the Board of Trustees of Commonfund, a not-for-profit firm that manages assets for educational endowments and foundations. Advisor to RCM Capital Management, an investment management firm, and to the Employee Benefits Investment Committee of The Boeing Company.</p> | <p>Interactive Data Corporation, a provider of financial market data and analytics to financial institutions and investors</p> |
| <p>John A. Hill Born 1942 Trustee since 1985 and Chairman since 2000</p> | <p>Founder and Vice-Chairman of First Reserve Corporation, the leading private equity buyout firm focused on the worldwide energy industry. Serves as a Trustee and Chairman of the Board of Trustees of Sarah Lawrence College. Also a member of the Advisory Board of the Millstein Center for Corporate Governance and Performance at the Yale School of Management.</p> | <p>Devon Energy Corporation, a leading independent natural gas and oil exploration and production company</p> |
| <p>Paul L. Joskow Born 1947 Trustee since 1997</p> | <p>Economist and President of the Alfred P. Sloan Foundation, a philanthropic institution focused primarily on research and education on issues related to science, technology, and economic performance. Currently on leave from his position as the Elizabeth and James Killian Professor of Economics and Management at the Massachusetts Institute of Technology. Prior to 2007, served as the Director of the Center for Energy and Environmental Policy Research at MIT.</p> | <p>TransCanada Corporation, an energy company focused on natural gas transmission and power services; Exelon Corporation, an energy company focused on power services</p> |

| Name | Year of birth | Position held | Principal occupations during past five years | Other directorships |
|---|--|--|--|---------------------|
| Elizabeth T. Kennan Born 1938 Trustee since 1992 | Partner of Cambus-Kenneth Farm (thoroughbred horse and cattle breeding). President Emeritus of Mount Holyoke College. Trustee of the National Trust for Historic Preservation and of Centre College. | Former Chairman and now Lead Director of Northeast Utilities, which operates New England's largest energy delivery system | | |
| Kenneth R. Leibler Born 1949 Trustee since 2006 | Founder and former Chairman of Boston Options Exchange, an electronic marketplace for the trading of derivative securities. Vice Chairman of Beth Israel Deaconess Hospital in Boston, Massachusetts. | Ruder Finn Group, a global communications and advertising firm; Northeast Utilities, which operates New England's largest energy delivery system | | |
| Robert E. Patterson Born 1945 Trustee since 1984 | Senior Partner of Cabot Properties, LP and Chairman of Cabot Properties, Inc., a private equity firm investing in commercial real estate. Past Chairman and Trustee of the Joslin Diabetes Center. | None | | |
| George Putnam, III Born 1951 Trustee since 1984 | Chairman of New Generation Research, Inc., a publisher of financial advisory and other research services, and founder and President of New Generation Advisors, LLC, a registered investment advisor to private funds. Director of The Boston Family Office, LLC, a registered investment advisor. | None | | |
| Robert L. Reynolds* Born 1952 Trustee since 2008 and President of the Putnam Funds since July 2009 | President and Chief Executive Officer of Putnam Investments since 2008. Prior to joining Putnam Investments, served as Vice Chairman and Chief Operating Officer of Fidelity Investments from 2000 to 2007. | None | | |

| | | |
|---|--|--|
| <p>W. Thomas Stephens Born 1942 Trustee since 2009</p> | <p>Retired as Chairman and Chief Executive Officer of Boise Cascade, LLC, a paper, forest products, and timberland assets company, in December 2008.</p> | <p>TransCanada Corporation, an energy company focused on natural gas transmission and power services</p> |
|---|--|--|

| | | |
|--|--|--|
| <p>Richard B. Worley Born 1945 Trustee since 2004</p> | <p>Managing Partner of Permit Capital LLC , an investment management firm. Serves as a Trustee of the University of Pennsylvania Medical Center, the Robert Wood Johnson Foundation, a philanthropic organization devoted to health-care issues, and the National Constitution Center. Also serves as a Director of the Colonial Williamsburg Foundation, a historical preservation organization, and as Chairman of the Philadelphia Orchestra Association.</p> | <p>Neuberger Berman, an investment management firm</p> |
|--|--|--|

The address of each Trustee is One Post Office Square, Boston, MA 02109.

As of April 30, 2010, there were 105 Putnam funds. All Trustees serve as Trustees of all Putnam funds.

Each Trustee serves for an indefinite term, until his or her resignation, retirement at age 72, removal , or death.

* Mr. Reynolds is an [interested person] (as defined in the Investment Company Act of 1940) of the fund, Putnam Management, and/or Putnam Retail Management. He is President and Chief Executive Officer of Putnam Investments, as well as the President of your fund and each of the other Putnam funds.

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Officers

In addition to Robert L. Reynolds, the other officers of the fund are shown below:

Jonathan S. Horwitz (*Born 1955*)
Executive Vice President, Principal Executive Officer, Treasurer and Compliance Liaison
Since 2004

Charles E. Porter (*Born 1938*)
Senior Advisor to the Trustees
Since 1989

Steven D. Krichmar (*Born 1958*)

Francis J. McNamara, III (*Born 1955*)
Vice President and Chief Legal Officer
Since 2004
Senior Managing Director, Putnam Investments, Putnam Management and Putnam Retail Management

Robert R. Leveille (*Born 1969*)
Vice President and Chief Compliance Officer
Since 2007

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Vice President and Principal Financial Officer
Since 2002
Senior Managing Director, Putnam Investments

Managing Director, Putnam Investments,
Putnam Management and Putnam
Retail Management

Janet C. Smith *(Born 1965)*

Vice President, Principal Accounting Officer and
Assistant Treasurer
Since 2007
Managing Director, Putnam Investments and
Putnam Management

Mark C. Trenchard *(Born 1962)*

Vice President and BSA Compliance Officer
Since 2002
Managing Director, Putnam Investments

Susan G. Malloy *(Born 1957)*

Vice President and Assistant Treasurer
Since 2007
Managing Director, Putnam Investments

Judith Cohen *(Born 1945)*

Vice President, Clerk and Assistant Treasurer
Since 1993

Wanda M. McManus *(Born 1947)*

Vice President, Senior Associate Treasurer and
Assistant Clerk
Since 2005

Beth S. Mazor *(Born 1958)*

Vice President
Since 2002
Managing Director, Putnam Investments

Nancy E. Florek *(Born 1957)*

Vice President, Assistant Clerk,
Assistant Treasurer and Proxy Manager
Since 2005

James P. Pappas *(Born 1953)*

Vice President
Since 2004
Managing Director, Putnam Investments and
Putnam Management

The principal occupations of the officers for the past five years have been with the employers as shown above although in some cases, they have held different positions with such employers. The address of each Officer is One Post Office Square, Boston, MA 02109.

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Services for shareholders

Investor services

Systematic investment plan Tell us how much you wish to invest regularly weekly, semimonthly, or monthly and the amount you choose will be transferred automatically from your checking or savings account. There's no additional fee for this service, and you can suspend it at any time. This plan may be a great way to save for college expenses or to plan for your retirement.

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Please note that regular investing does not guarantee a profit or protect against loss in a declining market. Before arranging a systematic investment plan, consider your financial ability to continue making purchases in periods when prices are low.

Systematic exchange You can make regular transfers from one Putnam fund to another Putnam fund. There are no additional fees for this service, and you can cancel or change your options at any time.

Dividends PLUS You can choose to have the dividend distributions from one of your Putnam funds automatically reinvested in another Putnam fund at no additional charge.

Free exchange privilege You can exchange money between Putnam funds free of charge, as long as they are the same class of shares. A signature guarantee is required if you are exchanging more than \$500,000.

Reinstatement privilege If you've sold Putnam shares or received a check for a dividend or capital gain, you may reinvest the proceeds with Putnam within 90 days of the transaction and they will be reinvested at the fund's current net asset value with no sales charge. However, reinstatement of class B shares may have special tax consequences. Ask your financial or tax representative for details.

Check-writing service You have ready access to many Putnam accounts. It's as simple as writing a check, and there are no special fees or service charges. For more information about the check-writing service, call Putnam or visit our Web site.

Dollar cost averaging When you're investing for long-term goals, it's time, not timing, that counts. Investing on a systematic basis is a better strategy than trying to figure out when the markets will go up or down. This means investing the same amount of money regularly over a long period. This method of investing is called dollar cost averaging. When a fund's share price declines, your investment dollars buy more shares at lower prices. When it increases, they buy fewer shares. Over time, you will pay a lower average price per share.

For more information

Visit the Individual Investors section at putnam.com A secure section of our Web site contains complete information on your account, including balances and transactions, updated daily. You may also conduct transactions, such as exchanges, additional investments, and address changes. Log on today to get your password.

Call us toll free at 1-800-225-1581 Ask a helpful Putnam representative or your financial advisor for details about any of these or other services, or see your prospectus.

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Fund information

About Putnam Investments

Founded over 70 years ago, Putnam Investments was built around the concept that a balance between risk and reward is the hallmark of a well-rounded financial program. We manage over 100 funds across income, value, blend, growth, asset allocation, absolute return, and global sector categories.

| | | |
|---------------------------|---------------------|--------------------------|
| Investment Manager | Elizabeth T. Kennan | James P. Pappas |
| Putnam Investment | Kenneth R. Leibler | <i>Vice President</i> |
| Management, LLC | Robert E. Patterson | |
| One Post Office Square | George Putnam, III | Francis J. McNamara, III |

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| | | |
|-------------------------------|---------------------------------------|---|
| Boston, MA 02109 | Robert L. Reynolds | <i>Vice President and</i> |
| | W. Thomas Stephens | <i>Chief Legal Officer</i> |
| Investment Sub-Manager | Richard B. Worley | |
| Putnam Investment Limited | | Robert R. Leveille |
| 57-59 St James's Street | Officers | <i>Vice President and</i> |
| London, England SW1A 1LD | Robert L. Reynolds | <i>Chief Compliance Officer</i> |
| | <i>President</i> | |
| Marketing Services | | Mark C. Trenchard |
| Putnam Retail Management | Jonathan S. Horwitz | <i>Vice President and</i> |
| One Post Office Square | <i>Executive Vice President,</i> | <i>BSA Compliance Officer</i> |
| Boston, MA 02109 | <i>Principal Executive</i> | |
| | <i>Officer, Treasurer and</i> | Judith Cohen |
| Custodian | <i>Compliance Liaison</i> | <i>Vice President, Clerk and</i> |
| State Street Bank and | | <i>Assistant Treasurer</i> |
| Trust Company | Charles E. Porter | |
| | <i>Senior Advisor to the Trustees</i> | Wanda M. McManus |
| Legal Counsel | | <i>Vice President, Senior Associate</i> |
| Ropes & Gray LLP | Steven D. Krichmar | <i>Treasurer and Assistant Clerk</i> |
| | <i>Vice President and</i> | |
| Independent Registered | <i>Principal Financial Officer</i> | Nancy E. Florek |
| Public Accounting Firm | | <i>Vice President, Assistant Clerk,</i> |
| PricewaterhouseCoopers LLP | Janet C. Smith | <i>Assistant Treasurer and</i> |
| | <i>Vice President, Principal</i> | <i>Proxy Manager</i> |
| | <i>Accounting Officer and</i> | |
| Trustees | <i>Assistant Treasurer</i> | |
| John A. Hill, <i>Chairman</i> | | |
| Jameson A. Baxter, | Susan G. Malloy | |
| <i>Vice Chairman</i> | <i>Vice President and</i> | |
| Ravi Akhoury | <i>Assistant Treasurer</i> | |
| Charles B. Curtis | | |
| Robert J. Darretta | | |
| Myra R. Drucker | Beth S. Mazor | |
| Paul L. Joskow | <i>Vice President</i> | |

Call 1-800-225-1581 Monday through Friday between 8:00 a.m. and 8:00 p.m. Eastern Time, or visit our Web site (putnam.com) anytime for up-to-date information about the fund's NAV.

Item 2. Code of Ethics:

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(a) The Fund's principal executive, financial and accounting officers are employees of Putnam Investment Management, LLC, the Fund's investment manager. As such they are subject to a comprehensive Code of Ethics adopted and administered by Putnam Investments which is designed to protect the interests of the firm and its clients. The Fund has adopted a Code of Ethics which incorporates the Code of Ethics of Putnam Investments with respect to all of its officers and Trustees who are employees of Putnam Investment Management, LLC. For this reason, the Fund has not adopted a separate code of ethics governing its principal executive, financial and accounting officers.

(c) In May 2008, the Code of Ethics of Putnam Investment Management, LLC was updated in its entirety to include the amendments adopted in August 2007 as well as a several additional technical, administrative and non-substantive changes. In May of 2009, the Code of Ethics of Putnam Investment Management, LLC was amended to reflect that all employees will now be subject to a 90-day blackout restriction on holding Putnam open-end funds, except for portfolio managers and their supervisors (and each of their immediate family members), who will be subject to a one-year blackout restriction on the funds that they manage or supervise. In May 2010, the Code of Ethics of Putnam Investments was updated in its entirety to include the amendments adopted in May of 2009 and to change certain rules and limits contained in the Code of Ethics. In addition, the updated Code of Ethics included numerous technical, administrative and non-substantive changes, which were intended primarily to make the document easier to navigate and understand.

Item 3. Audit Committee Financial Expert:

The Funds' Audit and Compliance Committee is comprised solely of Trustees who are "independent" (as such term has been defined by the Securities and Exchange Commission ("SEC") in regulations implementing Section 407 of the Sarbanes-Oxley Act (the "Regulations")). The Trustees believe that each of the members of the Audit and Compliance Committee also possess a combination of knowledge and experience with respect to financial accounting matters, as well as other attributes, that qualify them for service on the Committee. In addition, the Trustees have determined that each of Mr. Patterson, Mr. Leibler, Mr. Hill, Mr. Darretta and Mr. Stephens qualifies as an "audit committee financial expert" (as such term has been defined by the Regulations) based on their review of his pertinent experience and education. The SEC has stated that the designation or identification of a person as an audit committee financial expert pursuant to this Item 3 of Form N-CSR does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Audit and Compliance Committee and the Board of Trustees in the absence of such designation or identification.

Item 4. Principal Accountant Fees and Services:

The following table presents fees billed in each of the last two fiscal years for services rendered to the fund by the fund's independent auditor:

| <u>Fiscal</u> <u>year</u> <u>ended</u> | <u>Audit</u> <u>Fees</u> | <u>Audit-</u> <u>Related</u> <u>Fees</u> | <u>Tax</u> <u>Fees</u> | <u>All Other</u> <u>Fees</u> |
|--|-----------------------------|--|---------------------------|---------------------------------|
| April 30, 2010 | \$78,485 | \$31,344 | \$8,035 | \$- |
| April 30, 2009 | \$82,323 | \$31,622 | \$7,350 | \$- |

For the fiscal years ended April 30, 2010 and April 30, 2009, the fund's independent auditor billed aggregate non-audit fees in the amounts of \$421,093 and \$520,797 respectively, to the fund, Putnam Management and any entity controlling, controlled by or under common control with Putnam Management that provides ongoing services to the fund.

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Audit Fees represent fees billed for the fund's last two fiscal years relating to the audit and review of the financial statements included in annual reports and registration statements, and other services that are normally provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees represent fees billed in the fund's last two fiscal years for services traditionally performed by the fund's auditor, including accounting consultation for proposed transactions or concerning financial accounting and reporting standards and other audit or attest services not required by statute or regulation.

Tax Fees represent fees billed in the fund's last two fiscal years for tax compliance, tax planning and tax advice services. Tax planning and tax advice services include assistance with tax audits, employee benefit plans and requests for rulings or technical advice from taxing authorities.

Pre-Approval Policies of the Audit and Compliance Committee. The Audit and Compliance Committee of the Putnam funds has determined that, as a matter of policy, all work performed for the funds by the funds' independent auditors will be pre-approved by the Committee itself and thus will generally not be subject to pre-approval procedures.

The Audit and Compliance Committee also has adopted a policy to pre-approve the engagement by Putnam Management and certain of its affiliates of the funds' independent auditors, even in circumstances where pre-approval is not required by applicable law. Any such requests by Putnam Management or certain of its affiliates are typically submitted in writing to the Committee and explain, among other things, the nature of the proposed engagement, the estimated fees, and why this work should be performed by that particular audit firm as opposed to another one. In reviewing such requests, the Committee considers, among other things, whether the provision of such services by the audit firm are compatible with the independence of the audit firm.

The following table presents fees billed by the fund's independent auditor for services required to be approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X.

| <u>Fiscal</u> <u>year</u> <u>ended</u> | <u>Audit-</u> <u>Related</u> <u>Fees</u> | <u>Tax</u> <u>Fees</u> | <u>All</u> <u>Other</u> <u>Fees</u> | <u>Total</u> <u>Non-Audit</u> <u>Fees</u> |
|--|--|---------------------------|---|---|
| April 30, 2010 | \$ - | \$ 262,883 | \$ - | \$ - |
| April 30, 2009 | \$ - | \$ 415,341 | \$ - | \$ - |

Item 5. Audit Committee of Listed Registrants

(a) The fund has a separately-designated Audit and Compliance Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The Audit and Compliance Committee of the fund's Board of Trustees is composed of the following persons:

Robert E. Patterson (Chairperson)
Robert J. Darretta
Myra R. Drucker
John A. Hill

Kenneth R. Leibler
W. Thomas Stephens

(b) Not applicable

Item 6. Schedule of Investments:

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

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

Proxy voting guidelines of the Putnam funds

The proxy voting guidelines below summarize the funds' positions on various issues of concern to investors, and give a general indication of how fund portfolio securities will be voted on proposals dealing with particular issues. The funds' proxy voting service is instructed to vote all proxies relating to fund portfolio securities in accordance with these guidelines, except as otherwise instructed by the Proxy Manager, a member of the Office of the Trustees who is appointed to assist in the coordination and voting of the funds' proxies.

The proxy voting guidelines are just that — guidelines. The guidelines are not exhaustive and do not address all potential voting issues. Because the circumstances of individual companies are so varied, there may be instances when the funds do not vote in strict adherence to these guidelines. For example, the proxy voting service is expected to bring to the Proxy Manager's attention proxy questions that are company-specific and of a non-routine nature and that, even if covered by the guidelines, may be more appropriately handled on a case-by-case basis.

Similarly, Putnam Management's investment professionals, as part of their ongoing review and analysis of all fund portfolio holdings, are responsible for monitoring significant corporate developments, including proxy proposals submitted to shareholders, and notifying the Proxy Manager of circumstances where the interests of fund shareholders may warrant a vote contrary to these guidelines. In such instances, the investment professionals submit a written recommendation to the Proxy Manager and the person or persons designated by Putnam Management's Legal and Compliance Department to assist in processing referral items under the funds' Proxy Voting Procedures. The Proxy Manager, in consultation with the funds' Senior Vice President, Executive Vice President, and/or the Chair of the Board Policy and Nominating Committee, as appropriate, will determine how the funds' proxies will be voted. When indicated, the Chair of the Board Policy and Nominating Committee may consult with other members of the Committee or the full Board of Trustees.

The following guidelines are grouped according to the types of proposals generally presented to shareholders. Part I deals with proposals submitted by management and approved and recommended by a company's board of directors. Part II deals with

proposals submitted by shareholders. Part III addresses unique considerations pertaining to non-U.S. issuers.

The Trustees of the Putnam funds are committed to promoting strong corporate governance practices and encouraging corporate actions that enhance shareholder value through the judicious voting of the funds' proxies. It is the funds' policy to vote their proxies at all shareholder meetings where it is practicable to do so. In furtherance of this, the funds' have requested that their securities lending agent recall each domestic issuer's voting securities

that are on loan, in advance of the record date for the issuer's shareholder meetings, so that the funds may vote at the meetings.

The Putnam funds will disclose their proxy votes not later than August 31 of each year for the most recent 12-month period ended June 30, in accordance with the timetable established by SEC rules.

I. BOARD-APPROVED PROPOSALS

The vast majority of matters presented to shareholders for a vote involve proposals made by a company itself (sometimes referred to as "management proposals"), which have been approved and recommended by its board of directors. In view of the enhanced corporate governance practices currently being implemented in public companies and of the funds' intent to hold corporate boards accountable for their actions in promoting shareholder interests, the funds' proxies generally will be voted **for** the decisions reached by majority independent boards of directors, except as otherwise indicated in these guidelines. Accordingly, the funds' proxies will be voted **for** board-approved proposals, except as follows:

Matters relating to the Board of Directors

Uncontested Election of Directors

The funds' proxies will be voted **for** the election of a company's nominees for the board of directors, except as follows:

- The funds will **withhold votes** from the entire board of directors if
 - ~~the~~ the board does not have a majority of independent directors,
 - ∞ the board has not established independent nominating, audit, and compensation committees,
 - ~~the~~ the board has more than 19 members or fewer than five members, absent special circumstances,
 - ~~the~~ the board has not acted to implement a policy requested in a shareholder proposal that received the support of a majority of the shares of the company cast at its previous two annual meetings, or
-

~~the~~ the board has adopted or renewed a shareholder rights plan (commonly referred to as a "poison pill") without shareholder approval during the current or prior calendar year.

The funds will on a **case-by-case basis withhold votes** from the entire board of directors, or from particular directors as may be appropriate, if the board has approved compensation arrangements for one or more company executives that the funds determine are unreasonably excessive relative to the company's performance or has otherwise failed to observe good corporate governance practices.

The funds will **withhold votes** from any nominee for director:

who is considered an independent director by the company and who has received compensation within the last three years from the company other than for service as a director (e.g., investment banking, consulting, legal, or financial advisory fees),

who attends less than 75% of board and committee meetings without valid reasons for the absences (e.g. illness, personal emergency, etc.),

of a public company (Company A) who is employed as a senior executive of another company (Company B), if a director of Company B serves as a senior executive of Company A (commonly referred to as an "interlocking directorate"), or

who serves on more than five unaffiliated public company boards (for the purpose of this guideline, boards of affiliated registered investment companies will count as one board).

Commentary:

Board independence: Unless otherwise indicated, for the purposes of determining whether a board has a majority of independent directors and independent nominating, audit, and compensation committees, an "independent director" is a director who (1) meets all requirements to serve as an independent director of a company under the NYSE Corporate Governance Rules (e.g., no material business relationships with the company and no present or recent employment relationship with the company including employment of an immediate family member as an executive officer), and (2) has not within the last three years accepted directly or indirectly any consulting, advisory, or other compensatory fee from the company other than in his or her capacity as a member of the board of directors or any board committee. The funds' Trustees believe that the recent (i.e., within the last three years) receipt of any amount of compensation for services other than service as a director raises significant independence issues.

Board size: The funds' Trustees believe that the size of the board of directors can have a direct impact on the ability of the board to govern effectively. Boards that have too many members can be unwieldy and ultimately inhibit their ability to oversee management

performance. Boards that have too few members can stifle innovation and lead to excessive influence by management.

Time commitment: Being a director of a company requires a significant time commitment to adequately prepare for and attend the company's board and committee meetings. Directors must be able to commit the time and attention necessary to perform their fiduciary duties in proper fashion, particularly in times of crisis. The funds' Trustees are concerned about over-committed directors. In some cases, directors may serve on too many boards to make a meaningful contribution. This may be particularly true for senior executives of public companies (or other directors with substantially full-time employment) who serve on more than a few outside boards. The funds may withhold votes from such directors on a case-by-case basis where it appears that they may be unable to discharge their duties properly because of excessive commitments.

Interlocking directorships: The funds' Trustees believe that interlocking directorships are inconsistent with the degree of independence required for outside directors of public

companies.

Corporate governance practices: Board independence depends not only on its members' individual relationships, but also on the board's overall attitude toward management. Independent boards are committed to good corporate governance practices and, by providing objective independent judgment, enhancing shareholder value. The funds may withhold votes on a case-by-case basis from some or all directors who, through their lack of independence or otherwise, have failed to observe good corporate governance practices or, through specific corporate action, have demonstrated a disregard for the interests of shareholders. Such instances may include cases where a board of directors has approved compensation arrangements for one or more members of management that, in the judgment of the funds' Trustees, are excessive by reasonable corporate standards relative to the company's record of performance.

Contested Elections of Directors

The funds will vote on a **case-by-case basis** in contested elections of directors.

Classified Boards

The funds will vote **against** proposals to classify a board, absent special circumstances indicating that shareholder interests would be better served by this structure.

Commentary: Under a typical classified board structure, the directors are divided into three classes, with each class serving a three-year term. The classified board structure results in directors serving staggered terms, with usually only a third of the directors up for re-election at any given annual meeting. The funds' Trustees generally believe that it is appropriate for directors to stand for election each year, but recognize that, in special circumstances, shareholder interests may be better served under a classified board structure.

Other Board-Related Proposals

The funds will generally vote **for** proposals that have been approved by a majority independent board, and on a **case-by-case basis** on proposals that have been approved by a board that fails to meet the guidelines' basic independence standards (*i.e.*, majority of independent directors and independent nominating, audit, and compensation committees).

Executive Compensation

The funds generally favor compensation programs that relate executive compensation to a company's long-term performance. The funds will vote on **case-by-case basis** on board-approved proposals relating to executive compensation, except as follows:

Except where the funds are otherwise withholding votes for the entire board of directors, the funds will vote **for** stock option and restricted stock plans that will result in an average annual dilution of 1.67% or less (based on the disclosed term of the plan and including all equity-based plans).

- The funds will vote **against** stock option and restricted stock plans that will result in an average annual dilution of greater than 1.67% (based on the disclosed term of the plan and including all equity-based plans).
- The funds will vote **against** any stock option or restricted stock plan where the company's actual grants of stock options and restricted stock under all equity-based compensation plans during the prior three (3) fiscal years have resulted in an average annual dilution of greater than 1.67%.
- The funds will vote **against** stock option plans that permit the replacing or repricing of underwater options (and against any proposal to authorize a replacement or repricing of underwater options).
- The funds will vote **against** stock option plans that permit issuance of options with an exercise price below the stock's current market price.
- Except where the funds are otherwise withholding votes for the entire board of directors, the funds will vote **for** an employee stock purchase plan that has the following features: (1) the shares purchased under the plan are acquired for no less than 85% of their market value; (2) the offering period under the plan is 27 months or less; and (3) dilution is 10% or less.

Commentary: Companies should have compensation programs that are reasonable and that align shareholder and management interests over the longer term. Further, disclosure of compensation programs should provide absolute transparency to shareholders regarding the sources and amounts of, and the factors influencing, executive compensation. Appropriately designed equity-based compensation plans can be an effective way to align the interests of long-term shareholders with the interests of management. However, the funds may vote against these or other executive compensation proposals on a case-by-case basis where compensation is excessive by

reasonable corporate standards or where a company fails to provide transparent disclosure of executive compensation. (Examples of excessive executive compensation may include, but are not limited to, equity incentive plans that exceed the dilution criteria noted above, excessive perquisites, performance-based compensation programs that do not properly correlate reward and performance, "golden parachutes" or other severance arrangements that present conflicts between management's interests and the interests of shareholders, and "golden coffins" or unearned death benefits.) In voting on a proposal relating to executive compensation, the funds will consider whether the proposal has been approved by an independent compensation committee of the board.

Capitalization

Many proxy proposals involve changes in a company's capitalization, including the authorization of additional stock, the issuance of stock, the repurchase of outstanding stock, or the approval of a stock split. The management of a company's capital structure involves a number of important issues, including cash flow, financing needs, and market conditions that are unique to the circumstances of the company. As a result, the funds will vote on a **case-by-case basis** on board-approved proposals involving changes to a company's capitalization, except that where the funds are not otherwise withholding votes from the

entire board of directors:

☐The funds will vote **for** proposals relating to the authorization and issuance of additional common stock (except where such proposals relate to a specific transaction).

☐The funds will vote **for** proposals to effect stock splits (excluding reverse stock splits).

☐The funds will vote **for** proposals authorizing share repurchase programs.

Commentary: A company may decide to authorize additional shares of common stock for reasons relating to executive compensation or for routine business purposes. For the most part, these decisions are best left to the board of directors and senior management. The funds will vote on a case-by-case basis, however, on other proposals to change a company's capitalization, including the authorization of common stock with special voting rights, the authorization or issuance of common stock in connection with a specific transaction (e.g., an acquisition, merger or reorganization), or the authorization or issuance of preferred stock. Actions such as these involve a number of considerations that may affect a shareholder's investment and that warrant a case-by-case determination.

Acquisitions, Mergers, Reincorporations, Reorganizations and Other Transactions

Shareholders may be confronted with a number of different types of transactions, including acquisitions, mergers, reorganizations involving business combinations, liquidations, and the sale of all or substantially all of a company's assets, which may require their consent. Voting on such proposals involves considerations unique to each

transaction. As a result, the funds will vote on a **case-by-case basis** on board-approved proposals to effect these types of transactions, except as follows:

☐The funds will vote **for** mergers and reorganizations involving business combinations designed solely to reincorporate a company in Delaware.

Commentary: A company may reincorporate into another state through a merger or reorganization by setting up a "shell" company in a different state and then merging the company into the new company. While reincorporation into states with extensive and established corporate laws — notably Delaware — provides companies and shareholders with a more well-defined legal framework, shareholders must carefully consider the reasons for a reincorporation into another jurisdiction, including especially an offshore jurisdiction.

Anti - Takeover Measures

Some proxy proposals involve efforts by management to make it more difficult for an outside party to take control of the company without the approval of the company's board of directors. These include the adoption of a shareholder rights plan, requiring supermajority voting on particular issues, the adoption of fair price provisions, the issuance of blank check preferred stock, and the creation of a separate class of stock with disparate voting rights. Such proposals may adversely affect shareholder rights, lead to management entrenchment, or create conflicts of interest. As a result, the funds will vote **against** board-approved proposals to adopt such anti-takeover measures, except as follows:

□The funds will vote on a **case-by-case basis** on proposals to ratify or approve shareholder rights plans; and

□The funds will vote on a **case-by-case basis** on proposals to adopt fair price provisions.

Commentary: The funds' Trustees recognize that poison pills and fair price provisions may enhance or protect shareholder value under certain circumstances. For instance, where a company has incurred significant operating losses, a shareholder rights plan may be appropriately tailored to protect shareholder value by preserving a company's net operating losses. Thus, the funds will consider proposals to approve such matters on a case-by-case basis.

Other Business Matters

Many proxies involve approval of routine business matters, such as changing a company's name, ratifying the appointment of auditors, and procedural matters relating to the shareholder meeting. For the most part, these routine matters do not materially affect shareholder interests and are best left to the board of directors and senior management of the company. The funds will vote **for** board-approved proposals approving such matters, except as follows:

□The funds will vote on a **case-by-case basis** on proposals to amend a company's charter or bylaws (except for charter amendments necessary to effect stock splits, to change a company's name or to authorize additional shares of common stock).

□The funds will vote **against** authorization to transact other unidentified, substantive business at the meeting.

□The funds will vote on a **case-by-case basis** on proposals to ratify the selection of independent auditors if there is evidence that the audit firm's independence or the integrity of an audit is compromised.

□The funds will vote on a **case-by-case basis** on other business matters where the funds are otherwise withholding votes for the entire board of directors.

Commentary: Charter and bylaw amendments and the transaction of other unidentified, substantive business at a shareholder meeting may directly affect shareholder rights and have a significant impact on shareholder value. As a result, the funds do not view these items as routine business matters. Putnam Management's investment professionals and the funds' proxy voting service may also bring to the Proxy Manager's attention company-specific items that they believe to be non-routine and warranting special consideration. Under these circumstances, the funds will vote on a case-by-case basis.

The fund's proxy voting service may identify circumstances that call into question an audit firm's independence or the integrity of an audit. These circumstances may include recent material restatements of financials, unusual audit fees, egregious contractual relationships, and aggressive accounting policies. The funds will consider proposals to ratify the selection of auditors in these circumstances on a case-by-case basis. In all other cases, given the existence of rules that enhance the independence of audit committees and auditors by, for

example, prohibiting auditors from performing a range of non-audit services for audit clients, the funds will vote for the ratification of independent auditors.

II. SHAREHOLDER PROPOSALS

SEC regulations permit shareholders to submit proposals for inclusion in a company's proxy statement. These proposals generally seek to change some aspect of the company's corporate governance structure or to change some aspect of its business operations. The funds generally will vote **in accordance with the recommendation of the company's board of directors** on all shareholder proposals, except as follows:

□ The funds will vote **for** shareholder proposals asking that director nominees receive support from holders of a majority of votes cast or a majority of shares outstanding in order to be (re)elected.

□ The funds will vote **for** shareholder proposals to declassify a board, absent special circumstances which would indicate that shareholder interests are better served by a classified board structure.

□ The funds will vote **for** shareholder proposals to require shareholder approval of shareholder rights plans.

□ The funds will vote **for** shareholder proposals requiring companies to make cash payments under management severance agreements only if both of the following conditions are met:

☒ the company undergoes a change in control, and

☒ the change in control results in the termination of employment for the person receiving the severance payment.

□ The funds will vote **on a case-by-case basis** on shareholder proposals requiring companies to accelerate vesting of equity awards under management severance agreements only if both of the following conditions are met:

☒ the company undergoes a change in control, and

☒ the change in control results in the termination of employment for the person receiving the severance payment.

□ The funds will vote **on a case-by-case basis** on shareholder proposals to limit a company's ability to make excise tax gross-up payments under management severance agreements.

□ The funds will vote **on a case-by-case basis** on shareholder proposals requesting that the board adopt a policy to recoup, in the event of a significant restatement of financial results or significant extraordinary write-off, to the fullest extent practicable, for the benefit of the company, all performance-based bonuses or awards that were paid to senior executives based on the company having met or exceeded specific performance targets to the extent that the specific performance targets were not, in fact, met.

□The funds will vote **for** shareholder proposals requiring a company to report on its executive retirement benefits (e.g., deferred compensation, split-dollar life insurance, SERPs and pension benefits).

□The funds will vote **for** shareholder proposals requiring a company to disclose its relationships with executive compensation consultants (e.g., whether the company, the board or the compensation committee retained the consultant, the types of services provided by the consultant over the past five years, and a list of the consultant's clients on which any of the company's executives serve as a director).

□The funds will vote **for** shareholder proposals that are consistent with the funds' proxy voting guidelines for board-approved proposals.

□The funds will vote on a **case-by-case basis** on other shareholder proposals where the funds are otherwise withholding votes for the entire board of directors.

Commentary: In light of the substantial reforms in corporate governance that are currently underway, the funds' Trustees believe that effective corporate reforms should be promoted by holding boards of directors — and in particular their independent directors — accountable for their actions, rather than by imposing additional legal restrictions on board governance through piecemeal proposals. Generally speaking, shareholder proposals relating to business operations are often motivated primarily by political or social concerns, rather than the interests of shareholders as investors in an economic enterprise. As stated above, the funds' Trustees believe that boards of directors and management are responsible for ensuring that their businesses are operating in accordance with high legal and ethical standards and should be held accountable for resulting corporate behavior. Accordingly, the funds will generally support the recommendations of boards that meet the basic independence and governance standards established in these guidelines. Where boards fail to meet these standards, the funds will generally evaluate shareholder proposals on a case-by-case basis.

However, the funds generally support shareholder proposals to implement majority voting for directors, observing that majority voting is an emerging standard intended to encourage directors to be attentive to shareholders' interests. The funds also generally support shareholder proposals to declassify a board or to require shareholder approval of shareholder rights plans. The funds' Trustees believe that these shareholder proposals further the goals of reducing management entrenchment and conflicts of interest, and aligning management's interests with shareholders' interests in evaluating proposed acquisitions of the company. The Trustees also believe that shareholder proposals to limit severance payments may further these goals in some instances. In general, the funds favor arrangements in which severance payments are made to an executive only when there is a change in control and the executive loses his or her job as a result. Arrangements in which an executive receives a payment upon a change of control even if the executive retains employment introduce potential conflicts of interest and may distract management focus from the long term success of the company.

In evaluating shareholder proposals that address severance payments, the funds distinguish between cash and equity payments. The funds generally do not favor cash payments to executives upon a change in control transaction if the executive retains employment. However, the funds recognize that accelerated vesting of equity incentives, even without termination of employment, may help to align management and shareholder interests in

some instances, and will evaluate shareholder proposals addressing accelerated vesting of equity incentive payments on a case-by-case basis.

When severance payments exceed a certain amount based on the executive's previous compensation, the payments may be subject to an excise tax. Some compensation arrangements provide for full excise tax gross-ups, which means that the company pays the executive sufficient additional amounts to cover the cost of the excise tax. The funds are concerned that the benefits of providing full excise tax gross-ups to executives may be outweighed by the cost to the company of the gross-up payments. Accordingly, the funds will vote on a case-by-case basis on shareholder proposals to curtail excise tax gross-up payments. The funds generally favor arrangements in which severance

payments do not trigger an excise tax or in which the company's obligations with respect to gross-up payments are limited in a reasonable manner.

The funds' Trustees believe that performance-based compensation can be an effective tool for aligning management and shareholder interests. However, to fulfill its purpose, performance compensation should only be paid to executives if the performance targets are actually met. A significant restatement of financial results or a significant extraordinary write-off may reveal that executives who were previously paid performance compensation did not actually deliver the required business performance to earn that compensation. In these circumstances, it may be appropriate for the company to recoup this performance compensation. The funds will consider on a case-by-case basis shareholder proposals requesting that the board adopt a policy to recoup, in the event of a significant restatement of financial results or significant extraordinary write-off, performance-based bonuses or awards paid to senior executives based on the company having met or exceeded specific performance targets to the extent that the specific performance targets were not, in fact, met. The funds do not believe that such a policy should necessarily disadvantage a company in recruiting executives, as executives should understand that they are only entitled to performance compensation based on the actual performance they deliver.

The funds' Trustees will also consider whether a company's severance payment and performance-based compensation arrangements, taking all of the pertinent circumstances into account, constitute excessive compensation or otherwise reflect poorly on the corporate governance practices of the company. In addition, as the Trustees evaluate these matters, they will be mindful of evolving practices and legislation relevant to executive compensation and corporate governance.

The funds' Trustees also believe that shareholder proposals that are intended to increase transparency, particularly with respect to executive compensation, without establishing rigid restrictions upon a company's ability to attract and motivate talented executives, are generally beneficial to sound corporate governance without imposing undue burdens. The funds will generally support shareholder proposals calling for reasonable disclosure.

III. VOTING SHARES OF NON-U.S. ISSUERS

Many of the Putnam funds invest on a global basis, and, as a result, they may hold, and have an opportunity to vote, shares in non-U.S. issuers — i.e., issuers that are incorporated under the laws of foreign jurisdictions and whose shares are not listed on a U.S. securities exchange or

the NASDAQ stock market.

In many non-U.S. markets, shareholders who vote proxies of a non-U.S. issuer are not able to trade in that company's stock on or around the shareholder meeting date. This practice is known as "share blocking." In countries where share blocking is practiced, the funds will vote proxies only with direction from Putnam Management's investment professionals.

In addition, some non-U.S. markets require that a company's shares be re-registered out of the name of the local custodian or nominee into the name of the shareholder for the shareholder to be able to vote at the meeting. This practice is known as "share reregistration." As a result, shareholders, including the funds, are not able to trade in that company's stock until the shares are re-registered back in the name of the local custodian or nominee following the meeting. In countries where share re-registration is practiced, the funds will generally not vote proxies.

Protection for shareholders of non-U.S. issuers may vary significantly from jurisdiction to jurisdiction. Laws governing non-U.S. issuers may, in some cases, provide substantially less protection for shareholders than do U.S. laws. As a result, the guidelines applicable to U.S. issuers, which are premised on the existence of a sound corporate governance and disclosure framework, may not be appropriate under some circumstances for non-U.S. issuers. However, the funds will vote proxies of non-U.S. issuers **in accordance with the guidelines applicable to U.S. issuers**, except as follows:

Uncontested Election of Directors

Germany

For companies subject to "co-determination," the funds will vote on **case by-case basis** for the election of nominees to the supervisory board.

The funds will **withhold votes** for the election of a former member of the company's managerial board to chair of the supervisory board.

Commentary: German corporate governance is characterized by a two-tier board system—a managerial board composed of the company's executive officers, and a supervisory board. The supervisory board appoints the members of the managerial board. Shareholders elect members of the supervisory board, except that in the case of companies with more than 2,000 employees, company employees are allowed to elect half of the supervisory board members. This "co-determination" practice may increase the chances that the supervisory board of a large German company does not contain a majority of independent members. In this situation, under the Fund's proxy voting guidelines applicable to U.S. issuers, the funds would vote against all nominees. However, in the case of companies subject to "co-determination," the Funds will vote for supervisory board members on a case-by-case basis, so that the funds can support independent nominees.

Consistent with the funds' belief that the interests of shareholders are best protected by boards with strong, independent leadership, the funds will withhold votes for the election of former chairs of the managerial board to chair of the supervisory board.

Japan

☐For companies that have established a U.S.-style corporate governance structure, the funds will **withhold votes** from the entire board of directors if

☒the board does not have a majority of outside directors

☒the board has not established nominating and compensation committees composed of a majority of outside directors, or

☒the board has not established an audit committee composed of a majority of independent directors.

☐The funds will **withhold votes** for the appointment of members of a company's board of statutory auditors if a majority of the members of the board of statutory auditors is not independent.

Commentary:

Board structure: Recent amendments to the Japanese Commercial Code give companies the option to adopt a U.S.-style corporate governance structure (*i.e.*, a board of directors and audit, nominating, and compensation committees). The funds will vote **for** proposals to amend a company's articles of incorporation to adopt the U.S.-style corporate structure.

Definition of outside director and independent director: Corporate governance principles in Japan focus on the distinction between outside directors and independent directors. Under these principles, an outside director is a director who is not and has never been a director, executive, or employee of the company or its parent company, subsidiaries or affiliates. An outside director is "independent" if that person can make decisions completely independent from the managers of the company, its parent, subsidiaries, or affiliates and does not have a material relationship with the company (*i.e.*, major client, trading partner, or other business relationship; familial relationship with current director or executive; etc.). The guidelines have incorporated these definitions in applying the board independence standards above.

Korea

☐The funds will **withhold votes** from the entire board of directors if

☒the board does not have a majority of outside directors,

☒the board has not established a nominating committee composed of at least a majority of outside directors, or

☒the board has not established an audit committee composed of at least three members and in which at least two-thirds of its members are outside directors.

Commentary: For purposes of these guidelines, an "outside director" is a director that is independent from the management or controlling shareholders of the company, and holds no

interests that might impair performing his or her duties impartially from the company,

management or controlling shareholder. In determining whether a director is an outside director, the funds will also apply the standards included in Article 415-2(2) of the Korean Commercial Code (*i.e.*, no employment relationship with the company for a period of two years before serving on the committee, no director or employment relationship with the company's largest shareholder, etc.) and may consider other business relationships that would affect the independence of an outside director.

Russia

☐The funds will vote on a **case-by-case basis** for the election of nominees to the board of directors.

Commentary: In Russia, director elections are typically handled through a cumulative voting process. Cumulative voting allows shareholders to cast all of their votes for a single nominee for the board of directors, or to allocate their votes among nominees in any other way. In contrast, in "regular" voting, shareholders may not give more than one vote per share to any single nominee. Cumulative voting can help to strengthen the ability of minority shareholders to elect a director.

In Russia, as in some other emerging markets, standards of corporate governance are usually behind those in developed markets. Rather than vote against the entire board of directors, as the funds generally would in the case of a company whose board fails to meet the funds' standards for independence, the funds may, on a case by case basis, cast all of their votes for one or more independent director nominees. The funds believe that it is important to increase the number of independent directors on the boards of Russian companies to mitigate the risks associated with dominant shareholders.

United Kingdom

☐The funds will **withhold votes** from the entire board of directors if

☒the board does not have at least a majority of independent non-executive directors,

☒the board has not established a nomination committee composed of a majority of independent non-executive directors, or

☒the board has not established compensation and audit committees composed of (1) at least three directors (in the case of smaller companies, two directors) and (2) solely independent non-executive directors.

☐The funds will **withhold votes** from any nominee for director who is considered an independent director by the company and who has received compensation within the last three years from the company other than for service as a director, such as investment banking, consulting, legal, or financial advisory fees.

□The funds will vote **for** proposals to amend a company's articles of association to authorize boards to approve situations that might be interpreted to present potential conflicts of interest affecting a director.

Commentary:

Application of guidelines: Although the United Kingdom's Combined Code on Corporate Governance (□Combined Code□) has adopted the □comply and explain□ approach to corporate governance, the funds' Trustees believe that the guidelines discussed above with respect to board independence standards are integral to the protection of investors in U.K. companies. As a result, these guidelines will generally be applied in a prescriptive manner.

Definition of independence: For the purposes of these guidelines, a non-executive director shall be considered independent if the director meets the independence standards in section A.3.1 of the Combined Code (*i.e.*, no material business or employment relationships with the company, no remuneration from the company for non-board services, no close family ties with senior employees or directors of the company, etc.), except that the funds do not view service on the board for more than nine years as affecting a director's independence.

Smaller companies: A smaller company is one that is below the FTSE 350 throughout the year immediately prior to the reporting year.

Conflicts of interest: The Companies Act 2006 requires a director to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company. This broadly written requirement could be construed to prevent a director from becoming a trustee or director of another organization. Provided there are reasonable safeguards, such as the exclusion of the relevant director from deliberations, the funds believe that the board may approve this type of potential conflict of interest in its discretion.

Other Matters

□The funds will vote **for** shareholder proposals calling for a majority of a company's directors to be independent of management.

□The funds will vote **for** shareholder proposals seeking to increase the independence of board nominating, audit, and compensation committees.

□The funds will vote **for** shareholder proposals that implement corporate governance standards similar to those established under U.S. federal law and the listing

requirements of U.S. stock exchanges, and that do not otherwise violate the laws of the jurisdiction under which the company is incorporated.

□The funds will vote on a **case-by-case basis** on proposals relating to (1) the issuance of common stock in excess of 20% of the company's outstanding common stock where shareholders do not have preemptive rights, or (2) the issuance of common stock in excess of 100% of the company's outstanding common stock where shareholders have preemptive rights.

□The funds will vote **for** proposals permitting companies to deliver reports and other materials electronically (e.g., via website posting).

□The funds will vote **for** proposals permitting companies to issue regulatory reports in English.

□The funds will vote: **against** remuneration reports that indicate that awards under a long term incentive plan are not linked to performance targets; and on a **case-by-case basis** on other remuneration reports, giving consideration to whether the report indicates a correlation between compensation and performance that is consistent with the funds' high standards for compensation practices.

As adopted March 6, 2009

Proxy Voting Procedures of the Putnam Funds

The proxy voting procedures below explain the role of the funds' Trustees, the proxy voting service and the Proxy Coordinator, as well as how the process will work when a proxy question needs to be handled on a case-by-case basis, or when there may be a conflict of interest.

The role of the funds' Trustees

The Trustees of the Putnam funds exercise control of the voting of proxies through their Board Policy and Nominating Committee, which is composed entirely of independent Trustees. The Board Policy and Nominating Committee oversees the proxy voting process and participates, as needed, in the resolution of issues that need to be handled on a case-by-case basis. The Committee annually reviews and recommends, for Trustee approval, guidelines governing the funds' proxy votes, including how the funds vote on specific proposals and which matters are to be considered on a case-by-case basis. The Trustees are assisted in this process by their independent administrative staff (Office of the Trustees), independent legal counsel, and an independent proxy voting service. The Trustees also receive assistance from Putnam Investment Management, LLC (Putnam Management), the funds' investment advisor, on matters involving investment judgments. In all cases, the ultimate decision on voting proxies rests with the Trustees, acting as fiduciaries on behalf of the shareholders of the funds.

The role of the proxy voting service

The funds have engaged an independent proxy voting service to assist in the voting of proxies. The proxy voting service is responsible for coordinating with the funds' custodians to ensure that all proxy materials received by the custodians relating to the funds' portfolio securities are processed in a timely fashion. To the extent applicable, the proxy voting service votes all proxies in accordance with the proxy voting guidelines established by the Trustees. The proxy voting service will refer proxy questions to the Proxy Coordinator (described below) for instructions under circumstances where: (1) the application of the proxy voting guidelines is unclear; (2) a particular proxy question is not covered by the guidelines; or (3) the guidelines call for specific instructions on a case-by-case basis. The proxy voting service is also requested to call to the Proxy Coordinator's attention specific proxy questions that, while governed by a guideline, appear to involve unusual or controversial issues. The funds also utilize research services relating to proxy questions provided by the proxy voting service and by other firms.

The role of the Proxy Coordinator

Each year, a member of the Office of the Trustees is appointed Proxy Coordinator to assist in the coordination and voting of the funds' proxies. The Proxy Coordinator will deal directly with the proxy voting service and, in the case of proxy questions referred by the proxy voting service, will solicit voting recommendations and instructions from the Office of the Trustees, the Chair of the Board Policy and Nominating Committee, and Putnam Management's investment professionals, as appropriate. The Proxy Coordinator is responsible for ensuring that these questions and referrals are responded to in a timely fashion and for transmitting appropriate voting instructions to the proxy voting service.

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Voting procedures for referral items

As discussed above, the proxy voting service will refer proxy questions to the Proxy Coordinator under certain circumstances. When the application of the proxy voting guidelines is unclear or a particular proxy question is not covered by the guidelines (and does not involve investment considerations), the Proxy Coordinator will assist in interpreting the guidelines and, as appropriate, consult with one of more senior staff members of the Office of the Trustees and the Chair of the Board Policy and Nominating Committee on how the funds' shares will be voted.

For proxy questions that require a case-by-case analysis pursuant to the guidelines or that are not covered by the guidelines but involve investment considerations, the Proxy Coordinator will refer such questions, through a written request, to Putnam Management's investment professionals for a voting recommendation. Such referrals will be made in cooperation with the person or persons designated by Putnam Management's Legal and Compliance Department to assist in processing such referral items. In connection with each such referral item, the Legal and Compliance Department will conduct a conflicts of interest review, as described below under "Conflicts of Interest," and provide a conflicts of interest report (the "Conflicts Report") to the Proxy Coordinator describing the results of such review. After receiving a referral item from the Proxy Coordinator, Putnam Management's investment professionals will provide a written recommendation to the Proxy Coordinator and the person or persons designated by the Legal and Compliance Department to assist in processing referral items. Such recommendation will set forth (1) how the proxies should be voted; (2) the basis and rationale for such recommendation; and (3) any contacts the investment professionals have had with respect to the referral item with non-investment personnel of Putnam Management or with outside parties (except for routine communications from proxy solicitors). The Proxy Coordinator will then review the investment professionals' recommendation and the Conflicts Report with one of more senior staff members of the Office of the Trustees in determining how to vote the funds' proxies. The Proxy Coordinator will maintain a record of all proxy questions that have been referred to Putnam Management's investment professionals, the voting recommendation, and the Conflicts Report.

In some situations, the Proxy Coordinator and/or one of more senior staff members of the Office of the Trustees may determine that a particular proxy question raises policy issues requiring

consultation with the Chair of the Board Policy and Nominating Committee, who, in turn, may decide to bring the particular proxy question to the Committee or the full Board of Trustees for consideration.

Conflicts of interest

Occasions may arise where a person or organization involved in the proxy voting process may have a conflict of interest. A conflict of interest may exist, for example, if Putnam Management has a business relationship with (or is actively soliciting business from) either the company soliciting the proxy or a third party that has a material interest in the outcome of a proxy vote or that is actively lobbying for a particular outcome of a proxy vote. Any individual with knowledge of a personal conflict of interest (e.g., familial relationship with company management) relating to a particular referral item shall disclose that conflict to the Proxy Coordinator and the Legal and Compliance Department and otherwise remove himself or herself from the proxy voting process. The Legal and Compliance Department will review each item referred to Putnam Management's investment professionals to determine if a conflict of interest exists and will provide the Proxy Coordinator with a Conflicts Report for each referral item that (1) describes any conflict of interest; (2) discusses the procedures used to address such conflict of interest; and (3) discloses any contacts from parties outside Putnam Management (other than routine communications from proxy solicitors) with respect to the referral item not otherwise reported in an investment professional's recommendation. The Conflicts Report will also include written confirmation that any recommendation from an investment professional provided under circumstances where a conflict of interest exists was made solely on the investment merits and without regard to any other consideration.

As adopted March 11, 2005

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

(a)(1) **Portfolio Managers.** The officers of Putnam Management identified below are primarily responsible for the day-to-day management of the fund's portfolios as of the filing date of this report.

Portfolio Managers **Joined**

| | Fund | Employer | Positions Over Past Five Years |
|-----------------|-------------|--|--|
| Thalia Meehan | 2006 | Putnam Management 1989 – Present | Team Leader of Tax Exempt Group Previously, Director, Tax Exempt Fixed Income and Investment Grade Teams |
| Paul Drury | 2002 | Putnam Management 1989 – Present | Tax Exempt Specialist |
| Susan McCormack | 2002 | Putnam Management 1994 – Present | Tax Exempt Specialist |

(a)(2) **Other Accounts Managed by the Fund’s Portfolio Managers.**

The following table shows the number and approximate assets of other investment accounts (or portions of investment accounts) that the fund’s Portfolio Managers

managed as of the fund’s most recent fiscal year-end. Unless noted, none of the other accounts pays a fee based on the account’s performance.

| Portfolio Leader or Member | Other SEC-registered open-end and closed-end funds | | Other accounts that pool assets from more than one client | | Other accounts (including separate accounts, managed account programs and single-sponsor defined contribution plan offerings) | |
|-----------------------------------|---|--------|--|--------|--|--------|
| | Number of | Assets | Number of | Assets | Number of | Assets |

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| | accounts | | accounts | | accounts | |
|-----------------|----------|-----------------|----------|-----|----------|---------------|
| Thalia Meehan | 13 | \$7,061,300,000 | 0 | \$- | 2 | \$125,600,000 |
| Susan McCormack | 13 | \$7,061,300,000 | 0 | \$- | 2 | \$126,800,000 |
| Paul Drury | 13 | \$7,061,300,000 | 0 | \$- | 1 | \$124,700,000 |

Potential conflicts of interest in managing multiple accounts. Like other investment professionals with multiple clients, the fund's Portfolio Managers may face certain potential conflicts of interest in connection with managing both the fund and the other accounts listed under "Other Accounts Managed by the Fund's Portfolio Managers" at the same time. The paragraphs below describe some of these potential conflicts, which Putnam Management believes are faced by investment professionals at most major financial firms. As described below, Putnam Management and the Trustees of the Putnam funds have adopted compliance policies and procedures that attempt to address certain of these potential conflicts.

The management of accounts with different advisory fee rates and/or fee structures, including accounts that pay advisory fees based on account performance ("performance fee accounts"), may raise potential conflicts of interest by creating an incentive to favor higher-fee accounts. These potential conflicts may include, among others:

- The most attractive investments could be allocated to higher-fee accounts or performance fee accounts.
- The trading of higher-fee accounts could be favored as to timing and/or execution price. For example, higher-fee accounts could be permitted to sell securities earlier than other accounts when a prompt sale is desirable or to buy securities at an earlier and more opportune time.
- The trading of other accounts could be used to benefit higher-fee accounts (front- running).
- The investment management team could focus their time and efforts primarily on higher-fee accounts due to a personal stake in compensation.

Putnam Management attempts to address these potential conflicts of interest relating to higher-fee accounts through various compliance policies that are generally intended to

place all accounts, regardless of fee structure, on the same footing for investment management purposes. For example, under Putnam Management's policies:

- Performance fee accounts must be included in all standard trading and allocation procedures with all other accounts.

□ All accounts must be allocated to a specific category of account and trade in parallel with allocations of similar accounts based on the procedures generally applicable to all accounts in those groups (e.g., based on relative risk budgets of accounts).

□ All trading must be effected through Putnam's trading desks and normal queues and procedures must be followed (i.e., no special treatment is permitted for performance fee accounts or higher-fee accounts based on account fee structure).

□ Front running is strictly prohibited.

□ The fund's Portfolio Manager(s) may not be guaranteed or specifically allocated any portion of a performance fee.

As part of these policies, Putnam Management has also implemented trade oversight and review procedures in order to monitor whether particular accounts (including higher-fee accounts or performance fee accounts) are being favored over time.

Potential conflicts of interest may also arise when the Portfolio Manager(s) have personal investments in other accounts that may create an incentive to favor those accounts. As a general matter and subject to limited exceptions, Putnam Management's investment professionals do not have the opportunity to invest in client accounts, other than the Putnam funds. However, in the ordinary course of business, Putnam Management or related persons may from time to time establish "pilot" or "incubator" funds for the purpose of testing proposed investment strategies and products prior to offering them to clients. These pilot accounts may be in the form of registered investment companies, private funds such as partnerships or separate accounts established by Putnam Management or an affiliate. Putnam Management or an affiliate supplies the funding for these accounts. Putnam employees, including the fund's Portfolio Manager(s), may also invest in certain pilot accounts. Putnam Management, and to the extent applicable, the Portfolio Manager(s) will benefit from the favorable investment performance of those funds and accounts. Pilot funds and accounts may, and frequently do, invest in the same securities as the client accounts. Putnam Management's policy is to treat pilot accounts in the same manner as client accounts for purposes of trading allocation — neither favoring nor disfavoring them except as is legally required. For example, pilot accounts are normally included in Putnam Management's daily block trades to the same extent as client accounts (except that pilot accounts do not participate in initial public offerings).

A potential conflict of interest may arise when the fund and other accounts purchase or sell the same securities. On occasions when the Portfolio Manager(s) consider the purchase or sale of a security to be in the best interests of the fund as well as other accounts, Putnam Management's trading desk may, to the extent permitted by applicable laws and regulations, aggregate the securities to be sold or purchased in order to seek to obtain the best execution and lower brokerage commissions, if any. Aggregation of

trades may create the potential for unfairness to the fund or another account if one account is favored over another in allocating the securities purchased or sold — for example, by allocating a disproportionate amount of a security that is likely to increase in value to a favored account. Putnam Management's trade allocation policies generally provide that each day's transactions in securities that are purchased or sold by multiple accounts are, insofar as possible,

averaged as to price and allocated between such accounts (including the fund) in a manner which in Putnam Management's opinion is equitable to each account and in accordance with the amount being purchased or sold by each account. Certain exceptions exist for specialty, regional or sector accounts. Trade allocations are reviewed on a periodic basis as part of Putnam Management's trade oversight procedures in an attempt to ensure fairness over time across accounts.

□Cross trades,□ in which one Putnam account sells a particular security to another account (potentially saving transaction costs for both accounts), may also pose a potential conflict of interest. Cross trades may be seen to involve a potential conflict of interest if, for example, one account is permitted to sell a security to another account at a higher price than an independent third party would pay. Putnam Management and the fund's Trustees have adopted compliance procedures that provide that any transactions between the fund and another Putnam-advised account are to be made at an independent current market price, as required by law.

Another potential conflict of interest may arise based on the different investment objectives and strategies of the fund and other accounts. For example, another account may have a shorter-term investment horizon or different investment objectives, policies or restrictions than the fund. Depending on another account's objectives or other factors, the Portfolio Manager(s) may give advice and make decisions that may differ from advice given, or the timing or nature of decisions made, with respect to the fund. In addition, investment decisions are the product of many factors in addition to basic suitability for the particular account involved. Thus, a particular security may be bought or sold for certain accounts even though it could have been bought or sold for other accounts at the same time. More rarely, a particular security may be bought for one or more accounts managed by the Portfolio Manager(s) when one or more other accounts are selling the security (including short sales). There may be circumstances when purchases or sales of portfolio securities for one or more accounts may have an adverse effect on other accounts. As noted above, Putnam Management has implemented trade oversight and review procedures to monitor whether any account is systematically favored over time.

The fund's Portfolio Manager(s) may also face other potential conflicts of interest in managing the fund, and the description above is not a complete description of every conflict that could be deemed to exist in managing both the fund and other accounts.

(a)(3) **Compensation of portfolio managers.** Putnam's goal for our products and investors is to deliver top quartile or better performance over a rolling 3-year period versus peers on a pre-tax basis. For this fund, the peer group Putnam compares fund

performance against is its broad investment category as determined by Lipper Inc. and identified in the shareholder report included in Item 1. Each portfolio manager is assigned an industry competitive incentive compensation target for achieving this goal. The target is based in part on the type and amount of assets the individual manages. The target increases or decreases depending on whether the portfolio manager's performance is higher or lower than the top quartile, subject to a maximum increase of 50%, for a portfolio manager who outperforms at least 90% of his or her peer group, and a maximum decrease of 100%, for a portfolio manager who outperforms less than 25% of his or her peer group. For example, the target of a portfolio manager who outperforms 50% of his or her peer group would decrease

50%. Investment performance of a portfolio manager is asset-weighted across the products he or she manages.

Portfolio manager incentive compensation targets are also adjusted for company performance/economics. Actual incentive compensation may be greater or less than a portfolio manager's target, as it takes into consideration team/group performance and qualitative performance factors. Incentive compensation includes a cash bonus and may also include grants of restricted stock or options. In addition to incentive compensation, portfolio managers receive fixed annual salaries typically based on level of responsibility and experience.

(a)(4) **Fund ownership.** The following table shows the dollar ranges of shares of the fund owned by the professionals listed above at the end of the fund's last two fiscal years, including investments by their immediate family members and amounts invested through retirement and deferred compensation plans.

| <u>Name</u> | <u>\$0</u> | <u>\$1-\$10,000</u> | <u>\$10,001-\$50,000</u> | <u>\$50,</u> |
|----------------------------|------------|---------------------|--------------------------|--------------|
| Drury, Paul M. | F* | | | |
| McCormack, Susan A. | F* | | | |
| Meehan, Thalia | F* | | | |

(b) Not applicable

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

Registrant Purchase of Equity Securities

| Total Number of Shares | Average Price Paid | Total Number of Shares Purchased as Part of Publicly Announced Plans or | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans |
|------------------------|--------------------|---|--|
| | | | |

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| <u>Period</u> | <u>Purchased</u> | <u>per Share</u> | <u>Programs*</u> | <u>or Programs**</u> |
|----------------------------------|------------------|------------------|------------------|----------------------|
| May 1 - May 31, 2009 | - | - | - | 4,287,137 |
| June 1 - June 30 2009 | - | - | - | 4,287,137 |
| July 1 - July 31, 2009 | - | - | - | 4,287,137 |
| August 1 - August 31, 2009 | - | - | - | 4,287,137 |
| September 1 - September 30, 2009 | - | - | - | 4,287,137 |
| October 1 - October 7, 2009 | - | - | - | 4,287,137 |
| October 8 - October 31, 2009 | - | - | - | 4,287,137 |
| November 1 - November 30, 2009 | - | - | - | 4,287,137 |
| December 1 - December 31, 2009 | - | - | - | 4,287,137 |
| January 1 - January 31, 2010 | - | - | - | 4,287,137 |
| February 1 - February 28, 201 | - | - | - | 4,287,137 |
| March 1 - March 31, 2010 | - | - | - | 4,287,137 |
| April 1 - April 30, 2010 | - | - | - | 4,287,137 |

* In October 2005, the Board of Trustees of the Putnam Funds initiated the closed-end fund share repurchase program, which, as subsequently amended, authorized the repurchase of up to 10% of the fund's outstanding common shares over the two-years ending October 5, 2007. The Trustees subsequently renewed the program on three occasions, to permit the repurchase of an

additional 10% of the fund's outstanding common shares over each of the twelve-month periods beginning on October 8, 2007, October 8, 2008 and October 8, 2009.

The October 8, 2008 - October 7, 2009 program, which was announced in September 2008, allowed repurchases up to a total of 4,287,137 shares of the fund. The October 8, 2009 - October 7, 2010 program, which was announced in September 2009, allows repurchases up to a total of 4,287,137 shares of the fund.

**Information prior to October 7, 2009 is based on the total number of shares eligible for repurchase under the program, as amended through September 2008. Information from October 8, 2009 forward is based on the total

number of shares eligible for repurchase under the program, as amended through September 2009.

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

Not applicable

Item 11. Controls and Procedures:

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

(b) Changes in internal control over financial reporting: Not applicable

Item 12. Exhibits:

(a)(1) The Code of Ethics of The Putnam Funds, which incorporates the Code of Ethics of Putnam Investments, is filed herewith.

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

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

SIGNATURES

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

Putnam Municipal Opportunities Trust

By (Signature and Title):

/s/Janet C. Smith

Janet C. Smith

Principal Accounting Officer

Date: June 28, 2010

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

By (Signature and Title):

/s/Jonathan S. Horwitz

Jonathan S. Horwitz

Principal Executive Officer

Date: June 28, 2010

By (Signature and Title):

/s/Steven D. Krichmar
Steven D. Krichmar
Principal Financial Officer

Date: June 28, 2010
