

HEALTHCARE SERVICES GROUP INC  
Form 10-Q  
July 27, 2018  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-12015

HEALTHCARE SERVICES GROUP, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation or organization)

23-2018365

(I.R.S Employer Identification No.)

3220 Tillman Drive, Suite 300, Bensalem, PA

(Address of principal executive offices)

19020

(Zip Code)

Registrant's telephone number, including area code:

(215) 639-4274

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).  
YES  NO

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. Common Stock, \$.01 par value: 73,740,000 shares outstanding as of July 25, 2018.

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Healthcare Services Group, Inc.  
 Quarterly Report on Form 10-Q  
 For the Period Ended June 30, 2018

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report and documents incorporated by reference into it may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are not historical facts but rather are based on current expectations, estimates and projections about our business and industry, and our beliefs and assumptions. Words such as “believes,” “anticipates,” “plans,” “expects,” “will,” “goal,” and similar expressions are intended to identify forward-looking statements. The inclusion of forward-looking statements should not be regarded as a representation by us that any of our plans will be achieved. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Such forward-looking information is also subject to various risks and uncertainties. Such risks and uncertainties include, but are not limited to, risks arising from our providing services exclusively to the healthcare industry, primarily providers of long-term care; having a significant portion of our consolidated revenues contributed by one customer during the six months ended June 30, 2018; credit and collection risks associated with the healthcare industry; our claims experience related to workers’ compensation and general liability insurance; the effects of changes in, or interpretations of laws and regulations governing the healthcare industry, our workforce and services provided, including state and local regulations pertaining to the taxability of our services and other labor-related matters such as minimum wage increases; continued realization of tax benefits arising from our corporate reorganization and self-funded health insurance program; risks associated with the reorganization of our corporate structure; realization of our expectations regarding the impact of the Tax Cuts and Jobs Act on our financial results; and the risk factors described in Part I of our Form 10-K for the fiscal year ended December 31, 2017 under “Government Regulation of Clients,” “Competition” and “Service Agreements and Collections,” and under Item IA. “Risk Factors” in such Form 10-K.

These factors, in addition to delays in payments from clients and/or clients in bankruptcy or clients with which we are in litigation to collect payment, have resulted in, and could continue to result in, significant additional bad debts in the near future. Additionally, our operating results would be adversely affected if unexpected increases in the costs of labor and labor-related costs, materials, supplies and equipment used in performing services (including the impact of potential tariffs) could not be passed on to our clients.

In addition, we believe that to improve our financial performance we must continue to obtain service agreements with new clients, retain and provide new services to existing clients, achieve modest price increases on current service agreements with existing clients and maintain internal cost reduction strategies at our various operational levels. Furthermore, we believe that our ability to sustain the internal development of managerial personnel is an important factor impacting future operating results and the successful execution of our projected growth strategies.

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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements (Unaudited)

Healthcare Services Group, Inc.

Consolidated Balance Sheets

(in thousands, except per share amounts)

(Unaudited)

	June 30, 2018	December 31, 2017
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$13,155	\$ 9,557
Marketable securities, at fair value	74,928	73,221
Accounts and notes receivable, less allowance for doubtful accounts of \$49,709 and \$11,985 as of June 30, 2018 and December 31, 2017, respectively	343,665	378,720
Inventories and supplies	41,424	42,393
Prepaid expenses and other assets	27,625	23,515
Total current assets	500,797	527,406
Property and equipment, net	13,254	13,509
Goodwill	51,084	51,084
Other intangible assets, less accumulated amortization of \$15,084 and \$12,853 as of June 30, 2018 and December 31, 2017, respectively	28,650	30,881
Notes receivable — long-term portion	37,386	15,476
Deferred compensation funding, at fair value	30,697	28,885
Deferred income taxes	7,753	7,498
Other noncurrent assets	1,257	1,264
Total assets	\$670,878	\$ 676,003
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>		
Current liabilities:		
Accounts payable	\$69,269	\$ 74,463
Accrued payroll, accrued and withheld payroll taxes	27,423	32,139
Other accrued expenses	3,495	4,561
Borrowings under line of credit	40,505	35,382
Income taxes payable	—	15,378
Accrued insurance claims	23,702	22,245
Total current liabilities	164,394	184,168
Accrued insurance claims — long-term portion	67,459	62,454
Deferred compensation liability	30,891	29,429
Commitments and contingencies		
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, \$.01 par value; 100,000 shares authorized; 75,200 and 74,960 shares issued, and 73,733 and 73,436 shares outstanding as of June 30, 2018 and December 31, 2017, respectively	752	750
Additional paid-in capital	255,894	244,363
Retained earnings	161,269	163,860
Accumulated other comprehensive (loss) income, net of taxes	(204	) 837
Common stock in treasury, at cost, 1,467 and 1,524 shares as of June 30, 2018 and December 31, 2017, respectively	(9,577	) (9,858 )

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Total stockholders' equity	408,134	399,952
Total liabilities and stockholders' equity	\$670,878	\$ 676,003

See accompanying notes.

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Healthcare Services Group, Inc.  
 Consolidated Statements of Comprehensive Income  
 (in thousands, except per share amounts)  
 (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenues	\$503,732	\$470,876	\$1,005,542	\$875,366
Operating costs and expenses:				
Costs of services provided	437,618	407,322	907,522	752,892
Selling, general and administrative expense	34,118	31,991	67,895	60,201
Other income, net:				
			<b>17,881,883</b>	
			<b>Capital goods (2.0%)</b>	

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**FORWARD CURRENCY CONTRACTS at 4/30/16 (aggregate face value \$330,267,054) (Unaudited)**

Counterparty	Currency	Contract type	Delivery date	Value	Aggregate face value	Unrealized appreciation/ (depreciation)
<b>Bank of America N.A.</b>						
	Australian Dollar	Buy	7/21/16	\$4,213,709	\$4,199,851	\$13,858
	British Pound	Sell	6/15/16	47,347	69,876	22,529
	Canadian Dollar	Sell	7/21/16	3,619,380	3,519,130	(100,250)
	Chilean Peso	Sell	7/21/16	533,908	522,613	(11,295)
	Czech Koruna	Sell	6/15/16	308,707	190,628	(118,079)
	Euro	Buy	6/15/16	5,967,427	5,921,010	46,417
	Euro	Sell	6/15/16	5,986,804	5,809,454	(177,350)
	Hong Kong Dollar	Sell	5/18/16	2,960,255	2,941,978	(18,277)
	Japanese Yen	Sell	5/18/16	3,147,668	2,944,149	(203,519)
	New Zealand Dollar	Buy	7/21/16	8,049,479	7,912,874	136,605

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Norwegian Krone	Buy	6/15/16	2,954,352	2,931,581	22,771
South Korean Won	Buy	5/18/16	3,078,859	2,906,379	172,480
South Korean Won	Sell	5/18/16	3,078,859	2,839,293	(239,566)
Swedish Krona	Buy	6/15/16	1,385,409	1,332,596	52,813
<b>Barclays Bank PLC</b>					
Australian Dollar	Sell	7/21/16	77,077	12,489	(64,588)
Canadian Dollar	Sell	7/21/16	3,542,230	3,437,374	(104,856)
Euro	Buy	6/15/16	2,918,821	2,923,276	(4,455)
Japanese Yen	Sell	5/18/16	6,126,774	5,863,487	(263,287)
New Zealand Dollar	Sell	7/21/16	1,484,151	1,458,491	(25,660)
Norwegian Krone	Sell	6/15/16	7,738,934	7,287,926	(451,008)
Swedish Krona	Buy	6/15/16	6,095,290	5,797,806	297,484
Swiss Franc	Buy	6/15/16	265,785	254,993	10,792
<b>Citibank, N.A.</b>					
Brazilian Real	Sell	7/1/16	116,786	110,187	(6,599)
British Pound	Buy	6/15/16	5,017,859	4,885,449	132,410
Canadian Dollar	Sell	7/21/16	1,025,034	905,906	(119,128)
Euro	Sell	6/15/16	92,295	24,140	(68,155)
Mexican Peso	Sell	7/21/16	804,604	791,098	(13,506)
New Zealand Dollar	Buy	7/21/16	8,062,622	7,912,534	150,088
Singapore Dollar	Buy	5/18/16	6,413,780	6,195,616	218,164
Singapore Dollar	Sell	5/18/16	6,413,780	6,143,478	(270,302)
South Korean Won	Buy	5/18/16	3,118,111	2,946,616	171,495
South Korean Won	Sell	5/18/16	3,118,111	2,972,063	(146,048)
<b>Credit Suisse International</b>					
Australian Dollar	Buy	7/21/16	3,008,591	3,053,472	(44,881)
British Pound	Sell	6/15/16	2,989,117	2,920,360	(68,757)
Canadian Dollar	Sell	7/21/16	3,383,624	3,243,042	(140,582)
Euro	Sell	6/15/16	2,949,777	2,800,750	(149,027)
Hong Kong Dollar	Sell	5/18/16	2,236,295	2,210,479	(25,816)
Japanese Yen	Buy	5/18/16	3,061,074	2,873,275	187,799
Japanese Yen	Sell	5/18/16	3,061,074	2,999,954	(61,120)
New Taiwan Dollar	Buy	5/18/16	2,910,559	2,869,782	40,777
New Taiwan Dollar	Sell	5/18/16	2,910,559	2,814,749	(95,810)
New Zealand Dollar	Buy	7/21/16	3,119,207	3,063,057	56,150
Norwegian Krone	Sell	6/15/16	9,829,962	9,427,307	(402,655)
<b>Deutsche Bank AG</b>					
Japanese Yen	Buy	5/18/16	3,064,174	2,916,287	147,887
Japanese Yen	Sell	5/18/16	3,064,174	2,701,029	(363,145)
<b>Goldman Sachs International</b>					
Australian Dollar	Buy	7/21/16	7,758,657	7,772,194	(13,537)
British Pound	Sell	6/15/16	2,535,964	2,527,493	(8,471)
Canadian Dollar	Buy	7/21/16	3,005,842	2,763,180	242,662
Euro	Sell	6/15/16	2,995,867	2,888,253	(107,614)
Japanese Yen	Sell	5/18/16	252,204	26,437	(225,767)
New Zealand Dollar	Sell	7/21/16	1,085,540	1,140,849	55,309
Norwegian Krone	Buy	6/15/16	2,857,051	2,809,177	47,874
Singapore Dollar	Buy	5/18/16	22,745	22,644	101
Singapore Dollar	Sell	5/18/16	22,745	21,432	(1,313)
South Korean Won	Buy	5/18/16	3,065,604	2,923,155	142,449
South Korean Won	Sell	5/18/16	3,065,604	2,890,586	(175,018)



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	Swedish Krona	Buy	6/15/16	29,595	183,895	(154,300)
<b>HSBC Bank USA, National Association</b>						
	Canadian Dollar	Sell	7/21/16	2,671,895	2,558,078	(113,817)
	Euro	Sell	6/15/16	5,874,215	5,554,326	(319,889)
	Hong Kong Dollar	Sell	5/18/16	2,956,439	2,938,487	(17,952)
<b>JPMorgan Chase Bank N.A.</b>						
	Australian Dollar	Buy	7/21/16	3,073,466	3,112,018	(38,552)
	British Pound	Sell	6/15/16	2,575,565	2,512,212	(63,353)
	Canadian Dollar	Buy	7/21/16	1,336,744	1,317,127	19,617
	Euro	Sell	6/15/16	4,446,334	4,232,100	(214,234)
	Hong Kong Dollar	Sell	5/18/16	3,024,388	3,015,685	(8,703)
	Japanese Yen	Sell	5/18/16	2,926,799	2,683,046	(243,753)
	New Zealand Dollar	Buy	7/21/16	4,629,297	4,592,914	36,383
	Norwegian Krone	Sell	6/15/16	3,342,175	2,889,028	(453,147)
	Singapore Dollar	Buy	5/18/16	3,265,574	3,121,422	144,152
	Singapore Dollar	Sell	5/18/16	3,265,574	3,076,972	(188,602)
	South Korean Won	Buy	5/18/16	3,217,376	3,041,114	176,262
	South Korean Won	Sell	5/18/16	3,217,376	3,041,180	(176,196)
	Swedish Krona	Sell	6/15/16	10,688,261	10,628,111	(60,150)
<b>Royal Bank of Scotland PLC (The)</b>						
	Australian Dollar	Buy	7/21/16	5,575,559	5,609,434	(33,875)
	British Pound	Buy	6/15/16	147,446	117,096	30,350
	Canadian Dollar	Sell	7/21/16	5,088,030	4,967,036	(120,994)
	Euro	Sell	6/15/16	2,994,720	2,620,885	(373,835)
	Japanese Yen	Buy	5/18/16	3,274,568	2,886,806	387,762
	Japanese Yen	Sell	5/18/16	3,274,568	3,110,309	(164,259)
	New Zealand Dollar	Sell	7/21/16	8,008,797	7,882,366	(126,431)
	Norwegian Krone	Sell	6/15/16	6,259,225	5,764,187	(495,038)
	Swedish Krona	Buy	6/15/16	6,228,586	6,146,729	81,857
<b>State Street Bank and Trust Co.</b>						
	Australian Dollar	Buy	7/21/16	2,831,396	2,905,645	(74,249)
	Brazilian Real	Sell	7/1/16	1,744,170	1,664,545	(79,625)
	Canadian Dollar	Buy	7/21/16	4,435,757	4,369,679	66,078
	Euro	Sell	6/15/16	3,084,035	2,907,004	(177,031)
	New Taiwan Dollar	Buy	5/18/16	2,956,668	2,917,477	39,191
	New Taiwan Dollar	Sell	5/18/16	2,956,668	2,858,473	(98,195)
	South Korean Won	Buy	5/18/16	6,355,087	5,996,585	358,502
	South Korean Won	Sell	5/18/16	6,355,087	5,959,087	(396,000)
<b>UBS AG</b>						
	Australian Dollar	Sell	7/21/16	386,599	387,309	710
	British Pound	Buy	6/15/16	1,598,531	1,591,397	7,134
	Canadian Dollar	Sell	7/21/16	3,463,565	3,350,772	(112,793)
	Euro	Buy	6/15/16	5,721,842	5,668,757	53,085
	Japanese Yen	Buy	5/18/16	3,038,144	2,977,904	60,240
	Japanese Yen	Sell	5/18/16	3,038,144	2,906,046	(132,098)
	New Taiwan Dollar	Buy	5/18/16	2,910,559	2,871,793	38,766
	New Taiwan Dollar	Sell	5/18/16	2,910,559	2,827,766	(82,793)
	New Zealand Dollar	Buy	7/21/16	2,942,920	2,889,245	53,675
<b>WestPac Banking Corp.</b>						
	Canadian Dollar	Buy	7/21/16	2,680,981	2,567,329	113,652
	New Zealand Dollar	Buy	7/21/16	1,431,439	1,404,394	27,045

**Total****\$(4,745,930)****FUTURES CONTRACTS OUTSTANDING at 4/30/16 (Unaudited)**

	<b>Number of contracts</b>	<b>Value</b>	<b>Expiration date</b>	<b>Unrealized appreciation/ (depreciation)</b>
U.S. Treasury Bond 30 yr (Short)	22	\$3,592,875	Jun-16	\$(11,888)
U.S. Treasury Bond Ultra 30 yr (Long)	45	7,710,469	Jun-16	(190,668)
U.S. Treasury Note 10 yr (Short)	209	27,183,063	Jun-16	255,600
U.S. Treasury Note Ultra 10 yr (Short)	24	3,373,500	Jun-16	(26,641)
<b>Total</b>				<b>\$26,403</b>

**WRITTEN SWAP OPTIONS OUTSTANDING at 4/30/16 (premiums  
\$9,341,919) (Unaudited)**

<b>Counterparty</b>		<b>Expiration date/strike</b>	<b>Contract amount</b>	<b>Value</b>
<b>Fixed Obligation % to receive or (pay)/</b>				
<b>Floating rate index/Maturity date</b>				

**Bank of America N.A.**

(1.715)/3 month USD-LIBOR-BBA/Jun-26	Jun-16/1.715	\$45,693,100	\$435,455
1.715/3 month USD-LIBOR-BBA/Jun-26	Jun-16/1.715	45,693,100	479,321

**Barclays Bank PLC**

(1.645)/3 month USD-LIBOR-BBA/Jun-26	Jun-16/1.645	45,693,100	307,971
1.645/3 month USD-LIBOR-BBA/Jun-26	Jun-16/1.645	45,693,100	653,868

**Citibank, N.A.**

2.587/3 month USD-LIBOR-BBA/May-18	May-16/2.587	87,981,400	88
2.387/3 month USD-LIBOR-BBA/May-18	May-16/2.387	87,981,400	88

**Credit Suisse International**

2.515/3 month USD-LIBOR-BBA/Apr-47	Apr-17/2.515	9,241,300	407,264
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**Goldman Sachs International**

2.58625/3 month USD-LIBOR-BBA/Jun-18	Jun-16/2.58625	175,962,800	176
(1.215)/3 month USD-LIBOR-BBA/Jul-17	Jul-16/1.215	46,677,200	27,540
(0.901)/3 month USD-LIBOR-BBA/Jul-17	Jul-16/0.901	46,677,200	28,940
(1.65875)/3 month USD-LIBOR-BBA/Jun-26	Jun-16/1.65875	45,693,100	360,519
1.65875/3 month USD-LIBOR-BBA/Jun-26	Jun-16/1.65875	45,693,100	662,093

**JPMorgan Chase Bank N.A.**

1.41/3 month USD-LIBOR-BBA/Jul-17	Jul-16/1.41	46,677,200	19,138
1.28/3 month USD-LIBOR-BBA/Jul-17	Jul-16/1.28	46,677,200	33,608
(1.0025)/3 month USD-LIBOR-BBA/Jul-17	Jul-16/1.0025	46,677,200	45,277
(6.00 Floor)/3 month USD-LIBOR-BBA/Mar-18	Mar-18/6.00	26,070,000	2,701,190

**Total****\$6,162,536****WRITTEN OPTIONS OUTSTANDING at 4/30/16 (premiums \$2,022,188)  
(Unaudited)**

	Expiration date/strike price	Contract amount	Value
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Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Aug-16/\$100.80	\$23,000,000	\$81,650
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Aug-16/100.68	23,000,000	74,520
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Aug-16/100.09	23,000,000	48,530
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Aug-16/99.97	23,000,000	44,160
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Jul-16/101.36	23,000,000	80,500
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Jul-16/101.39	21,000,000	75,390
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Jul-16/100.73	23,000,000	46,920
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Jul-16/100.73	21,000,000	42,840
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Jun-16/100.45	32,000,000	15,360
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Jun-16/100.63	21,000,000	12,810
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Jun-16/100.56	21,000,000	11,760
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Jun-16/100.20	32,000,000	10,880
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Jun-16/100.44	21,000,000	9,870
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Jun-16/100.19	21,000,000	6,930
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Jun-16/99.75	32,000,000	5,760
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Jun-16/99.95	21,000,000	5,040
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Jun-16/99.91	21,000,000	4,830
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Jun-16/99.50	32,000,000	4,160
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Jun-16/99.77	21,000,000	3,780
Federal National Mortgage Association 30 yr 3.0s TBA commitments (Put)	Jun-16/99.53	21,000,000	2,730
<b>Total</b>			<b>\$588,420</b>

**FORWARD PREMIUM SWAP OPTION CONTRACTS OUTSTANDING at 4/30/16 (Unaudited)**

<b>Counterparty</b>			<b>Premium</b>	<b>Unrealized</b>
<b>Fixed right or obligation % to receive or (pay)/</b>	<b>Expiration date/strike</b>	<b>Contract amount</b>	<b>receivable/ (payable)</b>	<b>appreciation/ (depreciation)</b>
<b>Floating rate index/Maturity date</b>				
<b>JPMorgan Chase Bank N.A.</b>				
2.117/3 month USD-LIBOR-BBA/Feb-27 (Purchased)	Feb-17/2.117	\$11,591,775	\$(284,033)	\$202,276
2.035/3 month USD-LIBOR-BBA/Feb-27 (Purchased)	Feb-17/2.035	11,591,775	(294,535)	137,131
1.00/3 month USD-LIBOR-BBA/Apr-27 (Purchased)	Apr-17/1.00	21,148,700	(139,835)	(11,632)
1.00/3 month USD-LIBOR-BBA/Apr-27 (Purchased)	Apr-17/1.00	42,297,400	(297,139)	(39,337)
(3.035)/3 month USD-LIBOR-BBA/Feb-27 (Purchased)	Feb-17/3.035	11,591,775	(308,434)	(283,883)
(3.117)/3 month USD-LIBOR-BBA/Feb-27 (Purchased)	Feb-17/3.117	11,591,775	(324,570)	(304,864)
2.655/3 month USD-LIBOR-BBA/Feb-19 (Written)	Feb-17/2.655	50,772,000	336,365	332,558
2.56/3 month USD-LIBOR-BBA/Feb-19 (Written)	Feb-17/2.56	50,772,000	324,570	319,356
(1.00)/3 month USD-LIBOR-BBA/Apr-19 (Written)	Apr-17/1.00	42,297,400	129,515	(36,376)
(1.00)/3 month USD-LIBOR-BBA/Apr-19 (Written)	Apr-17/1.00	84,594,800	270,703	(62,600)
(1.56)/3 month USD-LIBOR-BBA/Feb-19 (Written)	Feb-17/1.56	50,772,000	292,310	(237,105)
(1.655)/3 month USD-LIBOR-BBA/Feb-19 (Written)	Feb-17/1.655	50,772,000	289,400	(315,802)
<b>Total</b>			<b>\$(5,683)</b>	<b>\$(300,278)</b>

**TBA SALE COMMITMENTS OUTSTANDING at 4/30/16 (proceeds receivable \$51,148,672) (Unaudited)**

Agency	Principal amount	Settlement date	Value
Federal National Mortgage Association, 3 1/2s, May 1, 2046	\$49,000,000	5/12/16	\$51,361,952
<b>Total</b>			<b>\$51,361,952</b>

**OTC INTEREST RATE SWAP CONTRACTS OUTSTANDING at 4/30/16 (Unaudited)**

## CENTRALLY CLEARED INTEREST RATE SWAP CONTRACTS OUTSTANDING at 4/30/16 (Unaudited)

\$103,178,300	\$(130,392)	4/7/18	3 month USD-LIBOR-BBA	1.149%	\$390,686
48,366,900	628,132	3/30/26	1.91%	3 month USD-LIBOR-BBA	(408,660)
15,768,000 <sup>(E)</sup>	(117,799)	6/15/26	1.60%	3 month USD-LIBOR-BBA	64,353
246,538,082 <sup>(E)</sup>	519,706	6/15/18	3 month USD-LIBOR-BBA	0.85%	48,079
13,888,000 <sup>(E)</sup>	(12,806)	6/15/21	3 month USD-LIBOR-BBA	1.15%	(100,939)
18,222,400	(241)	3/16/26	3 month USD-LIBOR-BBA	1.79701%	206,986
299,744,600 <sup>(E)</sup>	673,794	6/15/18	1.20%	3 month USD-LIBOR-BBA	(834,522)
62,264,956 <sup>(E)</sup>	436,787	6/15/26	1.85%	3 month USD-LIBOR-BBA	(311,887)
49,090,300 <sup>(E)</sup>	345,780	6/15/26	1.90%	3 month USD-LIBOR-BBA	(475,944)
14,253,000 <sup>(E)</sup>	10,901	6/15/21	3 month USD-LIBOR-BBA	1.45%	129,457
25,025,900 <sup>(E)</sup>	6,839	6/15/21	1.45%	3 month USD-LIBOR-BBA	(201,327)
13,300,900	(176)	3/17/26	1.787%	3 month USD-LIBOR-BBA	(138,102)
18,222,400	(241)	3/16/26	3 month USD-LIBOR-BBA	1.79882%	210,107
18,222,400	(241)	3/16/26	3 month USD-LIBOR-BBA	1.8005%	213,006
18,222,400	(241)	3/16/26	3 month USD-LIBOR-BBA	1.80312%	217,530
18,222,400	(241)	3/16/26	3 month USD-LIBOR-BBA	1.80242%	216,311
69,808,126 <sup>(E)</sup>	(97,817)	6/15/21	3 month USD-LIBOR-BBA	1.40%	312,236
8,886,400 <sup>(E)</sup>	42,818	6/15/46	3 month USD-LIBOR-BBA	2.20%	26,831
502,400 <sup>(E)</sup>	(3,425)	6/15/46	3 month USD-LIBOR-BBA	2.25%	1,559
870,600	(30)	4/5/46	2.2375%	3 month USD-LIBOR-BBA	(9,042)
7,255,000	162,120	4/5/46	2.27%	3 month USD-LIBOR-BBA	31,551
7,255,000	(95,094)	4/5/46	3 month USD-LIBOR-BBA	2.19%	(101,055)
23,700,000	(313)	3/18/26	1.78722%	3 month USD-LIBOR-BBA	(245,625)
23,700,000	(313)	3/18/26	1.79757%	3 month USD-LIBOR-BBA	(268,860)
12,518,200	(165)	3/21/26	1.7325%	3 month USD-LIBOR-BBA	(63,257)
12,518,200	(165)	3/21/26	1.73%	3 month USD-LIBOR-BBA	(60,293)
8,259,000 <sup>(E)</sup>	(121,267)	6/15/26	1.605%	3 month USD-LIBOR-BBA	(29,757)
29,796,000 <sup>(E)</sup>	185,739	6/15/21	1.4003%	3 month USD-LIBOR-BBA	10,271
2,902,000	(38)	3/30/26	1.73%	3 month USD-LIBOR-BBA	(12,827)
8,945,300	(84)	4/14/21	1.152%	3 month USD-LIBOR-BBA	38,249
3,410,000 <sup>(E)</sup>	59,274	6/15/26	3 month USD-LIBOR-BBA	1.6005%	20,046
48,125,100	(347)	4/21/26	3 month USD-LIBOR-BBA	1.595%	(453,458)
AUD 127,329,000 <sup>(E)</sup>	(101,619)	6/15/18	3 month AUD-BBR-BBSW	1.93%	(220,507)
AUD 66,000 <sup>(E)</sup>	(252)	6/15/26	3 month AUD-BBR-BBSW	2.55%	(689)
AUD 44,514,000 <sup>(E)</sup>	107,177	6/15/21	2.25%	3 month AUD-BBR-BBSW	258,165

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AUD	23,226,000 <sup>(E)</sup>	(49,468)	6/15/21	3 month AUD-BBR-BBSW	2.50%	81,446
AUD	12,296,000 <sup>(E)</sup>	(1,396)	6/15/18	2.20%	3 month AUD-BBR-BBSW	(39,345)
AUD	5,292,000 <sup>(E)</sup>	7,017	6/15/26	2.80%	3 month AUD-BBR-BBSW	(48,157)
AUD	55,529,000 <sup>(E)</sup>	43,856	6/15/18	2.2001%	3 month AUD-BBR-BBSW	(127,563)
AUD	10,123,000 <sup>(E)</sup>	100,833	6/15/26	2.8005%	3 month AUD-BBR-BBSW	(5,055)
CAD	86,200,000	(129,301)	6/17/17	3 month CAD-BA-CDOR	0.92%	(184,389)
CAD	43,100,000	(122)	8/27/17	3 month CAD-BA-CDOR	0.6825%	(160,101)
CAD	35,385,000	(101)	10/23/17	3 month CAD-BA-CDOR	0.81%	(88,973)
CAD	36,635,000	(104)	10/23/17	3 month CAD-BA-CDOR	0.805%	(94,272)
CAD	36,480,000	300,857	11/2/25	1.965%	3 month CAD-BA-CDOR	(692,524)
CAD	38,516,000	(103)	2/2/18	0.68%	3 month CAD-BA-CDOR	198,251
CAD	10,144,000	(95)	2/2/26	3 month CAD-BA-CDOR	1.5125%	(100,672)
CAD	8,117,000	(76)	2/2/26	3 month CAD-BA-CDOR	1.505%	(85,183)
CAD	48,126,000	(128)	2/2/18	0.675%	3 month CAD-BA-CDOR	251,534
CAD	208,258,000 <sup>(E)</sup>	34,155	6/15/18	3 month CAD-BA-CDOR	0.75%	(944,808)
CAD	36,239,000 <sup>(E)</sup>	17,099	6/15/21	0.90%	3 month CAD-BA-CDOR	438,641
CAD	17,190,000 <sup>(E)</sup>	(139,648)	6/15/26	1.40%	3 month CAD-BA-CDOR	262,708
CAD	27,433,900 <sup>(E)</sup>	(3,311)	6/15/18	0.90%	3 month CAD-BA-CDOR	60,556
CAD	30,112,000	(85)	3/11/18	0.89%	3 month CAD-BA-CDOR	60,988
CAD	24,845,000 <sup>(E)</sup>	124,255	6/15/21	3 month CAD-BA-CDOR	0.9003%	(164,472)
CAD	11,388,000 <sup>(E)</sup>	(1,734)	6/15/18	0.8501%	3 month CAD-BA-CDOR	33,773
CHF	11,584,000 <sup>(E)</sup>	(35,185)	6/15/26	6 month CHF-LIBOR-BBA	0.15%	65,441
CHF	36,760,000 <sup>(E)</sup>	(31,385)	6/15/18	0.90%	6 month CHF-LIBOR-BBA	(193,937)
CHF	38,790,000 <sup>(E)</sup>	(123,153)	6/15/21	6 month CHF-LIBOR-BBA	0.65%	137,697
CHF	7,387,000 <sup>(E)</sup>	(29)	6/15/18	6 month CHF-LIBOR-BBA	0.7425%	8,095
CHF	38,690,000 <sup>(E)</sup>	63,542	6/15/18	6 month CHF-LIBOR-BBA	0.6503%	30,873
CHF	7,338,000 <sup>(E)</sup>	(17)	6/15/18	6 month CHF-LIBOR-BBA	0.748%	8,910
CHF	2,785,000 <sup>(E)</sup>	(6,800)	6/15/26	6 month CHF-LIBOR-BBA	0.1505%	17,543
EUR	57,530,000 <sup>(E)</sup>	(173,757)	6/15/21	0.00%	6 month EUR-EURIBOR-REUTERS	138,423
EUR	26,817,000 <sup>(E)</sup>	391,943	6/15/26	6 month EUR-EURIBOR-REUTERS	0.50%	(170,820)
EUR	23,514,000 <sup>(E)</sup>	(59,965)	6/15/21	6 month EUR-EURIBOR-REUTERS	0.10%	(51,699)
EUR	12,477,000 <sup>(E)</sup>	(44,222)	6/15/26	0.60%	6 month EUR-EURIBOR-REUTERS	75,359
EUR	18,331,000 <sup>(E)</sup>	(245,918)	6/15/26	0.5005%	6 month EUR-EURIBOR-REUTERS	137,713
GBP	70,667,000 <sup>(E)</sup>	(140,427)	6/15/18	0.75%	6 month GBP-LIBOR-BBA	150,441
GBP	23,248,000 <sup>(E)</sup>	(108,206)	6/15/21	0.975%	6 month GBP-LIBOR-BBA	194,386
GBP	2,832,000 <sup>(E)</sup>	80,924	6/15/26	6 month GBP-LIBOR-BBA	1.40%	11,497
GBP	38,000 <sup>(E)</sup>	(129)	6/15/18	0.70%	6 month GBP-LIBOR-BBA	82



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GBP	29,966,000 <sup>(E)</sup>	(14,883)	6/15/18	6 month GBP-LIBOR-BBA	0.90%	(7,746)
GBP	18,466,000 <sup>(E)</sup>	31,541	6/15/18	6 month GBP-LIBOR-BBA	0.7501%	(44,412)
GBP	68,000 <sup>(E)</sup>	559	6/15/26	6 month GBP-LIBOR-BBA	1.4005%	(1,103)
JPY	293,484,000	(43)	11/13/45	6 month JPY-LIBOR-BBA	1.32125%	577,765
JPY	375,884,000	(90)	11/26/35	6 month JPY-LIBOR-BBA	1.09%	437,265
JPY	293,484,000	(44)	1/5/46	1.22015%	6 month JPY-LIBOR-BBA	(494,725)
JPY	375,884,000	(100)	1/5/36	1.00875%	6 month JPY-LIBOR-BBA	(377,608)
JPY	1,898,052,000 <sup>(E)</sup>	(159)	6/15/21	0.065%	6 month JPY-LIBOR-BBA	(9,381)
JPY	336,295,000 <sup>(E)</sup>	(102)	6/15/46	0.6725%	6 month JPY-LIBOR-BBA	(60,167)
NOK	475,772,000 <sup>(E)</sup>	(20,448)	6/15/18	6 month NOK-NIBOR-NIBR	0.80%	(227,376)
NOK	95,309,000 <sup>(E)</sup>	70,447	6/15/26	6 month NOK-NIBOR-NIBR	1.55%	(111,486)
NOK	46,993,000 <sup>(E)</sup>	(12,925)	6/15/21	1.05%	6 month NOK-NIBOR-NIBR	38,826
NOK	21,054,000	(33)	3/10/26	1.56%	6 month NOK-NIBOR-NIBR	29,627
NOK	28,683,000	(45)	3/17/26	1.60%	6 month NOK-NIBOR-NIBR	27,341
NOK	122,344,000 <sup>(E)</sup>	(87,054)	6/15/18	0.70%	6 month NOK-NIBOR-NIBR	(3,925)
NOK	22,786,000 <sup>(E)</sup>	27,435	6/15/26	1.5505%	6 month NOK-NIBOR-NIBR	70,800
NZD	15,535,000 <sup>(E)</sup>	20,828	6/15/26	3.10%	3 month NZD-BBR-FRA	(64,378)
NZD	21,614,000 <sup>(E)</sup>	4,837	6/15/18	3 month NZD-BBR-FRA	2.40%	42,204
NZD	66,931,000 <sup>(E)</sup>	(53,993)	6/15/21	2.70%	3 month NZD-BBR-FRA	(389,313)
NZD	2,495,000 <sup>(E)</sup>	(10,718)	6/15/21	3 month NZD-BBR-FRA	2.7003%	1,807
NZD	21,427,000 <sup>(E)</sup>	33,035	6/15/18	2.4001%	3 month NZD-BBR-FRA	(4,039)
SEK	137,862,000 <sup>(E)</sup>	9,767	6/15/21	0.35%	3 month SEK-STIBOR-SIDE	74,265
SEK	84,545,000 <sup>(E)</sup>	18,407	6/15/26	3 month SEK-STIBOR-SIDE	1.20%	(62,174)
SEK	52,469,000 <sup>(E)</sup>	(3,428)	6/15/21	3 month SEK-STIBOR-SIDE	0.3503%	(27,877)
SEK	25,597,000 <sup>(E)</sup>	(3,176)	6/15/26	1.2005%	3 month SEK-STIBOR-SIDE	21,068
<b>Total</b>		<b>\$2,374,991</b>				<b>\$(2,893,683)</b>

<sup>(E)</sup> Extended effective date.

**OTC TOTAL RETURN SWAP CONTRACTS OUTSTANDING at 4/30/16  
(Unaudited)**

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**OTC CREDIT DEFAULT CONTRACTS OUTSTANDING at 4/30/16  
(Unaudited)**

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***Key to holding's currency abbreviations***

AUD	Australian Dollar
BRL	Brazilian Real
CAD	Canadian Dollar
CHF	Swiss Franc
EUR	Euro
GBP	British Pound

JPY	Japanese Yen
MXN	Mexican Peso
NOK	Norwegian Krone
NZD	New Zealand Dollar
SEK	Swedish Krona

### **Key to holding's abbreviations**

ARP	Adjustable Rate Preferred Stock: the rate shown is the current interest rate at the close of the reporting period
bp	Basis Points
EMTN	Euro Medium Term Notes
FRB	Floating Rate Bonds: the rate shown is the current interest rate at the close of the reporting period
FRN	Floating Rate Notes: the rate shown is the current interest rate or yield at the close of the reporting period
IFB	Inverse Floating Rate Bonds, which are securities that pay interest rates that vary inversely to changes in the market interest rates. As interest rates rise, inverse floaters produce less current income. The rate shown is the current interest rate at the close of the reporting period.
IO	Interest Only
OAD	Open Joint Stock Company
OJSC	Open Joint Stock Company
PJSC	Public Joint Stock Company
PO	Principal Only
REGS	Securities sold under Regulation S may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.
TBA	To Be Announced Commitments

### **Notes to the fund's portfolio**

Unless noted otherwise, the notes to the fund's portfolio are for the close of the fund's reporting period, which ran from August 1, 2015 through April 30, 2016 (the reporting period). Within the following notes to the portfolio, references to "ASC 820" represent Accounting Standards Codification 820 *Fair Value Measurements and Disclosures*, references to "Putnam Management" represent Putnam Investment Management, LLC, the fund's manager, an indirect wholly-owned subsidiary of Putnam Investments, LLC and references to "OTC", if any, represent over-the-counter.

- (a) Percentages indicated are based on net assets of \$587,258,419.
- (b) The aggregate identified cost on a tax basis is \$920,243,374, resulting in gross unrealized appreciation and depreciation of \$5,485,095 and \$56,965,521, respectively, or net unrealized depreciation of \$51,480,426.
- (NON) This security is non-income-producing.
- (STP) The interest rate and date shown parenthetically represent the new interest rate to be paid and the date the fund will begin accruing interest at this rate.
- (PIK) Income may be received in cash or additional securities at the discretion of the issuer.
- (AFF) Affiliated company. The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period. Transactions during the period with Putnam Short Term Investment Fund, which is under common ownership and control, were as follows:

Name of affiliate	Fair value at the beginning of the reporting period	Purchase cost	Sale proceeds	Investment income	Fair value at the end of the reporting period
Putnam Short Term Investment Fund*	\$28,926,448	\$169,830,704	\$164,667,204	\$46,251	\$34,089,948

\* Management fees charged to Putnam Short Term Investment Fund have been waived by Putnam Management.

- (SEG) This security, in part or in entirety, was pledged and segregated with the broker to cover margin requirements for futures contracts at the close of the reporting period.
- (SEGSF) This security, in part or in entirety, was pledged and segregated with the custodian for collateral on certain derivative contracts at the close of the reporting period.
- (SEGCCS) This security, in part or in entirety, was pledged and segregated with the custodian for collateral on the initial margin on certain centrally cleared derivative contracts at the close of the reporting period.
- (FWC) Forward commitment, in part or in entirety.
- (c) Senior loans are exempt from registration under the Securities Act of 1933, as amended, but contain certain restrictions on resale and cannot be sold publicly. These loans pay interest at rates which adjust periodically. The interest rates shown for senior loans are the current interest rates at the close of the reporting period. Senior loans are also subject to mandatory and/or optional prepayment which cannot be predicted. As a result, the remaining maturity may be substantially less than the stated maturity shown. Senior loans are purchased or sold on a when-issued or delayed delivery basis and may be settled a month or more after the trade date, which from time to time can delay the actual investment of available cash balances; interest income is accrued based on the terms of the securities.

Senior loans can be acquired through an agent, by assignment from another holder of the loan, or as a participation interest in another holder's portion of the loan. When the fund invests in a loan or participation, the fund is subject to the risk that an intermediate participant between the fund and the borrower will fail to meet its obligations to the fund, in addition to the risk that the borrower under the loan may default on its obligations.

(F) This security is valued by Putnam Management at fair value following procedures approved by the Trustees. Securities may be classified as Level 2 or Level 3 for ASC 820 based on the securities' valuation inputs.

(R) Real Estate Investment Trust.

At the close of the reporting period, the fund maintained liquid assets totaling \$328,270,193 to cover certain derivative contracts and delayed delivery securities.

Unless otherwise noted, the rates quoted in Short-term investments security descriptions represent the weighted average yield to maturity.

Debt obligations are considered secured unless otherwise indicated.

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

The dates shown on debt obligations are the original maturity dates.

## **DIVERSIFICATION BY COUNTRY**

Distribution of investments by country of risk at the close of the reporting period, excluding collateral received, if any (as a percentage of Portfolio Value):

United States	86.4%
Greece	2.9
Russia	2.0
Venezuela	1.4
Argentina	1.3
Canada	0.8
Brazil	0.8
Mexico	0.6
Luxembourg	0.6
Indonesia	0.5
Other	2.7

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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:

	<b>Valuation inputs</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Investments in securities:</b>			
<b>Common stocks*:</b>			
Consumer cyclicals	\$—	\$—	\$23,241
Energy	—	—	460
<b>Total common stocks</b>	<b>—</b>	<b>—</b>	<b>23,701</b>
Convertible bonds and notes	—	342,693	—
Corporate bonds and notes	—	189,309,592	10
Foreign government and agency bonds and notes	—	54,571,180	—
Mortgage-backed securities	—	269,788,698	17,385,051
Preferred stocks	407,764	194,328	—
Purchased options outstanding	—	681,580	—
Purchased swap options outstanding	—	2,909,171	—
Senior loans	—	9,756,487	—

U.S. government and agency mortgage obligations	—	266,361,830	—
Short-term investments	34,089,948	22,940,915	—
<b>Totals by level</b>	<b>\$34,497,712</b>	<b>\$816,856,474</b>	<b>\$17,408,762</b>

Investments in securities:	Balance as of July 31, 2015	Accrued discounts/premiums	Realized gain/(loss)	Change in net unrealized appreciation/(depreciation) #	Cost of purchase
Common stocks*:					
Consumer cyclicals	\$23,241	\$—	\$—	\$—	\$—
Energy	1,836	—	—	(1,376)	—
Total common stocks	\$25,077	\$—	\$—	\$(1,376)	\$—
Corporate bonds and notes	\$13	—	—	(3)	—
Mortgage-backed securities	\$7,399,831	(1,101,211)	(66,553)	(142,961)	13,2

Level 3 securities which are fair valued by Putnam Management, are not material to the fund.

**Fair Value of Derivative Instruments as of the close of the reporting period**

	<b>Asset derivatives</b>	<b>Liability derivatives</b>
<b>Derivatives not accounted for as hedging instruments under ASC 815</b>	<b>Fair value</b>	<b>Fair value</b>
Credit contracts	\$864,155	\$5,563,085
Foreign exchange contracts	4,063,375	8,809,305
Interest rate contracts	12,783,204	21,839,658
<b>Total</b>	<b>\$17,710,734</b>	<b>\$36,212,048</b>

The following table summarizes any derivatives, repurchase agreements and reverse repurchase agreement or similar agreement. For securities lending transactions, if applicable, see note "(d)" and "sales of securities" note above.

	Bank of America N.A.	Barclays Bank PLC	Barclays Capital Inc. (clearing broker)	Citibank, N.A.	Credit Suisse International	Deutsche Bank AG	Goldman Sachs Internationa
Assets:							
OTC Interest rate swap contracts*#	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Centrally cleared interest rate swap contracts\$	—	—	1,408,025	—	—	—	—
OTC Total return swap contracts*#	—	68,175	—	1,946	128,811	—	211,682
OTC Credit default contracts*#	—	—	—	—	583,947	—	261,635
Futures contracts\$	—	—	—	—	—	—	—
Forward currency contracts#	467,473	308,276	—	672,157	284,726	147,887	488,395
Forward premium swap option contracts#	—	—	—	—	—	—	—
Purchased swap options#	763,989	839,839	—	88	253,036	—	949,062
Purchased options#	—	—	—	—	—	—	—
Total Assets	\$1,231,462	\$1,216,290	\$1,408,025	\$674,191	\$1,250,520	\$147,887	\$1,910,774
Liabilities:							
OTC Interest rate swap contracts*#	—	—	—	—	—	—	—
Centrally cleared interest rate swap	—	—	1,139,563	—	—	—	—



contracts§							
OTC Total							
return swap	—	199,339	—	—	55,408	3,484	522,292
contracts*#							
OTC Credit							
default	103,041	—	—	—	4,059,044	—	1,138,750
contracts*#							
Futures							
contracts§	—	—	—	—	—	—	—
Forward							
currency	868,336	913,854	—	623,738	988,648	363,145	686,020
contracts#							
Forward							
premium							
swap option	—	—	—	—	—	—	—
contracts#							
Written swap	914,776	961,839	—	176	407,264	—	1,079,268
options#							
Written							
options#	—	—	—	—	—	—	—
Total							
Liabilities	\$1,886,153	\$2,075,032	\$1,139,563	\$623,914	\$5,510,364	\$366,629	\$3,426,330
Total							
Financial and							
Derivative							
Net Assets	\$(654,691)	\$(858,742)	\$268,462	\$50,277	\$(4,259,844)	\$(218,742)	\$(1,515,556)
Total							
collateral							
received	\$(634,949)	\$(511,965)	\$—	\$—	\$(3,960,839)	\$(186,981)	\$(1,273,000)
(pledged)##†							
Net amount	\$(19,742)	\$(346,777)	\$268,462	\$50,277	\$(299,005)	\$(31,761)	\$(242,556)

\* Excludes premiums, if any.

† Additional collateral may be required from certain brokers based on individual agreements.

# Covered by master netting agreement.

## Any over-collateralization of total financial and derivative net assets is not shown. Collateral may

§ Includes current day's variation margin only, which is not collateralized. Cumulative appreciation, after the fund's portfolio.

For additional information regarding the fund please see the fund's most recent annual or semiannual report or the Securities and Exchange Commission's Web site, [www.sec.gov](http://www.sec.gov), or visit Putnam's Individual Investor Web site at [www.putnam.com](http://www.putnam.com)

Item 2. 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 3. Exhibits:

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.

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 Premier Income Trust

By (Signature and Title):

/s/ Janet C. Smith  
Janet C. Smith  
Principal Accounting Officer  
Date: June 28, 2016

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, 2016

By (Signature and Title):

/s/ Steven D. Krichmar  
Steven D. Krichmar  
Principal Financial Officer  
Date: June 28, 2016

