

PUTNAM PREMIER INCOME TRUST
Form N-30D
March 21, 2001

Putnam
Premier
Income
Trust

SEMIANNUAL REPORT ON PERFORMANCE AND OUTLOOK

1-31-01

[SCALE LOGO OMITTED]

FROM THE TRUSTEES

[GRAPHIC OMITTED: PHOTO OF JOHN A. HILL AND GEORGE PUTNAM III]

Dear Shareholder:

Putnam Premier Income Trust's broadly diversified portfolio demonstrated the merits of the fund's strategy in the uncertain global fixed-income markets that prevailed throughout the first half of fiscal 2001. Its diversified strategy across investment-grade, high-yield, and international sectors provided stability as each sector reacted differently to the global environment.

In the following report, David Waldman and the Core Fixed-Income Team discuss the challenging global economic and market environments in which they worked as they pursued the fund's twin objectives of high current income and relative stability of net asset value.

As the team assesses prospects for the fiscal year's second half, it expresses some optimism about prospects for high-yield bonds and will continue to take advantage of opportunities in both international and investment-grade sectors.

Respectfully yours,

/S/ JOHN A. HILL

/S/ GEORGE PUTNAM, III

John A. Hill
Chairman of the Trustees
March 21, 2001

George Putnam, III
President of the Funds

REPORT FROM FUND MANAGEMENT

David L. Waldman
and the Core
Fixed-Income Team

During the six months ended January 31, 2001, world markets experienced significant volatility. Many equity markets posted negative results, while most fixed-income markets achieved positive returns as interest rates fell. Foreign currencies were stable to weaker relative to the U.S. dollar. Putnam Premier Income Trust's strategy allowed the fund to weather the volatile market environment through a diversified approach to fixed-income investing.

Total return for 6 months ended 1/31/01

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NAV	Market price
2.78%	8.99%

Past performance is not indicative of future results. Performance based on market prices for the shares will vary from performance based on the portfolio's net asset value. Performance information for longer periods begins on page 5.

* PERFORMANCE MARKED BY CHANGING MARKET SENTIMENT

During the period, investors experienced a change in market psychology over a relatively short period. At the beginning of the fund's fiscal year, a more stable market environment had returned on the heels of the Federal Reserve Board's decisions to increase interest rates between mid 1999 and early 2000. Investors also were confident that the U.S. economy could achieve a soft landing. However, the stability was short-lived, as market psychology changed in anticipation of a U.S. and global economic slowdown which not only impacted U.S. markets but was felt worldwide.

The fixed-income market enjoyed positive performance during the period, with investment-grade sectors and emerging markets leading the way. In the international sector, local bond returns were positive as rates fell, although the weakening of foreign currencies limited the performance in terms of U.S. dollars. The high-yield markets continued to underperform because of slowing economic growth and equity market volatility.

[GRAPHIC OMITTED: horizontal bar chart SECTOR ALLOCATIONS]

SECTOR ALLOCATIONS*

High yield	48.5%
U.S. investment grade	28.4%
Foreign	23.3%

Footnote reads:

*Based on market value as of 1/31/01. Holdings will vary over time.

During the final month of your fund's semiannual period, many sectors experienced a dramatic turnaround. The Fed's surprise interest-rate cut on January 3, 2001, and its additional cut at the end of the month demonstrated its resolve to avert a hard economic landing. Investors welcomed the reduction in interest rates, and many of the sectors managed to recoup losses experienced through the end of the 2000 calendar year. Speculation that a U.S. economic soft landing could be achieved in 2001 contributed to the renewed popularity of higher-risk investments such as high-yield corporates and emerging markets.

* INVESTMENT-GRADE SECURITIES REMAINED RELIABLE AS HIGH-YIELDS RECOVERED

Within the investment-grade sector, securities posted positive returns during the period. Thanks to a rally in U.S. interest rates, the fund benefited from the strong price appreciation of investment-grade sectors; the yield of a representative U.S. 10-year Treasury bond fell approximately a full percentage point during the period. Both mortgage

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and corporate sectors slightly outperformed Treasuries and experienced significantly stronger returns in January 2001. Because of the fund's overweighted position in investment-grade securities, we were able to take advantage of this positive performance.

[GRAPHIC OMITTED: TOP SECTOR HOLDINGS]

TOP SECTOR HOLDINGS*

Top three high-yield holdings

Echostar Broadband Corp. 144A
sr. notes 10 3/8s, 2007

Huntsman ICI Chemicals, Inc.
company guaranty 10 1/8s, 2009

Nextel Communications, Inc. 144A
sr. notes 9 1/2s, 2011

Top three U.S. government holdings

U.S. Treasury Notes 6 1/2s, 2/15/10

U.S. Treasury Notes 5 3/4s, 8/15/10

FNMA Pass-through Certificates
7 1/2s, 6/1/15 to 10/1/15

Top three international holdings

Italy (Government of) bonds 7 1/4s, 2026

Germany (Federal Republic of) bonds
Ser. 132, 4 1/8s, 2004

Hellenic Greece (Republic of) bonds
6 1/2s, 2014

Footnote reads:

These holdings represent 18.4% of the fund's net assets as of 1/31/01. Holdings will vary over time.

High-yield corporates underperformed for most of the fund's fiscal 2000. Several factors, including volatile equity markets, increasing defaults, and slowing economic growth, contributed to a difficult period for high yield securities. Specifically, telecommunications, which tends to be a large sector within the high yield universe, experienced poor performance due to investor uncertainty. Spreads of high-yield securities (the difference between the yields of high-yield corporate securities and Treasury securities of comparable maturity) widened throughout most of the period and then narrowed in January 2001. This allowed the sector to gain back some of its negative performance. Fortunately we kept the fund underweighted in high-yield securities through most of the period, which contributed to performance, but it did not completely escape the negative impact of the telecommunications sector. Towards the end of the period, we increased our high-yield allocation as valuations and fundamentals became favorable.

* DEVELOPED AND EMERGING MARKETS BOLSTERED RETURNS

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Within the international sector, emerging markets generated attractive returns because of attractive valuations and supportive economic and political environments. The fund positions in Mexico and Russia contributed to positive performance. Mexican securities benefited from a growing economy while Russia benefited from firm oil prices. The performance of international developed markets benefited from falling interest rates, but was hurt by currency weakness relative to the U.S. dollar. We were able to take advantage of opportunities in Canada, the United Kingdom, and Greece. Our position in Greece has benefited from further integration with Europe.

* OUTLOOK FOR 2001: KEEPING A CLOSE WATCH

While the market continues its bumpy ride, we continue to monitor the fixed-income universe closely and look for positive fundamentals and attractive valuations. With the Fed taking an aggressive stance with regard to the U.S. economy, resolving to avert a hard landing and engineer a more stable economic environment, we believe that a recession is unlikely in the near future. Within the investment-grade market, we will continue to take advantage of opportunities in the mortgage-backed sector.

A full recovery for high-yield bonds may very well be in the cards for the near future, as their recent positive performance and popularity suggest stronger prospects. However, we will monitor the fund's high-yield weighting closely in the short term, should this turn out not to be the case. Within the international marketplace, we continue to take advantage of opportunities in the developed market universe and remain neutral with regard to emerging markets. Although more volatility and uncertainty may be in store, we believe the fund is well positioned to meet the challenges of fiscal 2001.

The views expressed here are exclusively those of Putnam Management. They are not meant as investment advice. Although the described holdings were viewed favorably as of 1/31/01, there is no guarantee the fund will continue to hold these securities in the future. International investments are subject to certain risks, such as currency fluctuations, economic instability, and political developments. While the U.S. government backing of individual securities does not insure your principal, which will fluctuate, it does guarantee that the fund's government-backed holdings will make timely payments of interest and principal. Mortgage-backed securities in the portfolio may be subject to prepayment risk. The lower credit ratings of high-yield bonds reflect a greater possibility that adverse changes in the economy or poor performance by the issuers of these bonds will affect the issuer's ability to pay principal and interest.

A NOTE ABOUT DUPLICATE MAILINGS

In response to investors' requests, the SEC has modified mailing regulations for semiannual and annual reports and prospectuses. Putnam is now able to send a single copy of these materials to customers who share the same address. This change will automatically apply to all shareholders except those who notify us. If you prefer to receive your own copy, please call Putnam at 1-800-225-1581.

PERFORMANCE SUMMARY

This section provides information about your fund's performance, which

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should always be considered in light of its investment strategy. Putnam Premier Income Trust is designed for investors seeking a high level of current income consistent with preservation of capital.

TOTAL RETURN FOR PERIODS ENDED 1/31/01

	NAV	Market price
6 months	2.78%	8.99%
1 year	5.89	21.97
5 years	26.87	32.85
Annual average	4.88	5.85
10 years	126.14	133.44
Annual average	8.50	8.85
Life of fund (since 2/29/88)	180.56	145.34
Annual average	8.31	7.19

COMPARATIVE INDEX RETURNS FOR PERIODS ENDED 1/31/01

	Lehman Bros. Government Index	Salomon Bros. Non-U.S. World Govt. Bond Index	First Boston High Yield Index	Cons price
6 months	7.93%	1.59%	0.37%	1.
1 year	14.22	-0.06	0.87	3.
5 years	37.49	10.44	29.68	13.
Annual average	6.57	2.01	5.33	2.
10 years	114.14	84.71	198.15	30.
Annual average	7.91	6.33	11.54	2.
Life of fund (since 2/29/88)	175.66	125.34	207.47	51.
Annual average	8.16	6.49	9.08	3.

Past performance is no assurance of future results. More recent returns may be more or less than those shown. They do not take into account any adjustment for taxes payable on reinvested distributions. Investment returns, net asset value and market price will fluctuate so that an investor's shares when sold may be worth more or less than their original cost. Securities indexes assume reinvestment of all distributions and interest payments and do not take into account brokerage fees or taxes. Securities in the fund do not match those in the indexes and performance of the fund will differ. It is not possible to invest in an index.

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PRICE AND DISTRIBUTION INFORMATION 6 MONTHS ENDED 1/31/01

Distributions (number)	6	
Income	\$0.318	
Capital gains	--	
Total	\$0.318	
Share value:	NAV	Market price
7/31/00	\$7.19	\$6.375
1/31/01	7.03	6.610
Current return (end of period)		
Current dividend rate 1	9.05%	9.62%

1 Income portion of most recent distribution, annualized and divided by NAV or market price at end of period.

TOTAL RETURN FOR PERIODS ENDED 12/31/00 (most recent calendar quarter)

	NAV	Market price
6 months	-0.52%	2.02%
1 year	1.74	11.92
5 years	24.53	27.00
Annual average	4.48	4.90
10 years	122.32	120.65
Annual average	8.32	8.24
Life of fund (since 2/29/88)	171.61	125.54
Annual average	8.09	6.54

Past performance is no assurance of future results. More recent returns may be more or less than those shown. They do not take into account any adjustment for taxes payable on reinvested distributions. Investment returns, net asset value, and market price will fluctuate so that an investor's shares when sold may be worth more or less than their original cost.

TERMS AND DEFINITIONS

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

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liabilities, divided by the number of outstanding shares.

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

COMPARATIVE BENCHMARKS

First Boston High Yield Index* is an unmanaged list of lower-rated higher-yield U.S. corporate bonds.

Lehman Brothers Government Bond Index* is an unmanaged list of U.S. government and mortgage-backed securities.

Salomon Brothers Non-U.S. World Government Bond Index* is an unmanaged list of bonds issued by 10 countries.

Consumer price index (CPI) is a commonly used measure of inflation; it does not represent an investment return.

Footnote reads:

*Securities indexes assume reinvestment of all distributions and interest payments and do not take into account brokerage fees or taxes. Securities in the fund do not match those in the indexes and performance of the fund will differ. It is not possible to invest directly in an index.

A GUIDE TO THE FINANCIAL STATEMENTS

These sections of the report 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 noninvestment assets are added together. Any unpaid expenses and other liabilities are subtracted from this total. The result is divided by the number of shares to determine the net asset value per share, which is calculated separately for each class of shares. (For funds with preferred shares, the amount subtracted from total assets includes the net assets allocated to remarketed preferred shares.)

Statement of operations shows the fund's net investment gain or loss for the reporting period. This is determined by adding up all the fund's earnings -- from dividends and interest income -- and subtracting its operating expenses. This statement also lists any net gain or loss the fund realized on the sales of its holdings and -- for holdings that remain in the portfolio -- any change in unrealized gains or losses over the period.

Statement of changes in net assets shows how the fund's net assets were affected 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

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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 highlight table also includes the current reporting period. For open-end funds, a separate table is provided for each share class.

THE FUND'S PORTFOLIO January 31, 2001 (Unaudited)

CORPORATE BONDS AND NOTES (49.3%) (a) PRINCIPAL AMOUNT

Advertising and Marketing Services (0.3%)

\$	190,000	Adams Outdoor Advertising sr. notes 10 3/4s, 2006
	930,000	AOA Holdings LLC sr. notes 10 3/8s, 2006
	969,955	Interact Operating Co. 144A notes 14s, 2003
	585,000	Lamar Media Corp. company guaranty 9 5/8s, 2006
	420,000	Lamar Media Corp. sr. sub. notes 9 1/4s, 2007
	1,150,000	Lamar Media Corp. company guaranty 8 5/8s, 2007

Aerospace and Defense (0.9%)

	1,735,000	Argo-Tech Corp. 144A company guaranty 8 5/8s, 2007
	1,660,000	BE Aerospace, Inc. sr. sub. notes 9 1/2s, 2008
	960,000	BE Aerospace, Inc. sr. sub. notes Ser. B, 8s, 2008
	1,180,000	Decrane Aircraft Holdings company guaranty Ser. B, 12s, 2008
	540,000	L-3 Communications Corp. sr. sub. notes Ser. B, 10 3/8s, 2007
	1,310,000	L-3 Communications Corp. sr. sub. notes 8 1/2s, 2008
	460,000	Moog, Inc. sr. sub. notes Ser. B, 10s, 2006
	1,630,000	Sequa Corp. sr. notes 9s, 2009

Agriculture (0.3%)

	2,914,545	Premium Standard Farms, Inc. sr. sec. notes 11s, 2003 (PIK)
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Airlines (0.5%)

	1,390,000	Airbus Industries 144A notes Ser. D, 12.266s, 2020
	1,430,000	Calair LLC 144A company guaranty 8 1/8s, 2008
	250,000	Continental Airlines, Inc. notes 8s, 2005
	110,000	Northwest Airlines, Inc. company guaranty 8.52s, 2004
	330,000	Northwest Airlines, Inc. company guaranty 8 3/8s, 2004
	30,000	Northwest Airlines, Inc. company guaranty 7 7/8s, 2008
	770,000	Northwest Airlines, Inc. company guaranty 7 5/8s, 2005
	780,000	US Air, Inc. pass-through certificates Ser. 93A3, 10 3/8s, 2013

Automotive (1.3%)

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460,000 Aftermarket Technology Corp. sr. sub. notes 12s, 2004
1,070,000 Aftermarket Technology Corp. sr. sub. notes Ser. D, 12s, 2004
300,000 Collins & Aikman Products, Inc. company guaranty 11 1/2s, 2006
1,380,000 Dura Operating Corp. company guaranty Ser. B, 9s, 2009
880,000 Exide Corp. sr. notes 10s, 2005
200,000 Federal Mogul Corp. notes 7 7/8s, 2010
2,900,000 Federal Mogul Corp. notes 7 3/4s, 2006
280,000 Hayes Lemmerz International, Inc. company guaranty Ser. B,
8 1/4s, 2008
1,990,000 Hayes Wheels International, Inc. company guaranty 11s, 2006
1,970,000 Hayes Wheels International, Inc. company guaranty Ser. B,
9 1/8s, 2007
180,000 Hayes Wheels International, Inc. 144A sr. sub. notes
9 1/8s, 2007
995,000 Lear Corp. sub. notes 9 1/2s, 2006
600,000 Lear Corp. company guaranty Ser. B, 8.11s, 2009
790,000 Lear Corp. company guaranty Ser. B, 7.96s, 2005
2,590,000 Oxford Automotive, Inc. company guaranty Ser. D,
10 1/8s, 2007
740,000 Safety Components International, Inc. sr. sub. notes Ser. B,
10 1/8s, 2007 (In default) (NON)
490,000 Tenneco, Inc. company guaranty 11 5/8s, 2009
1,270,000 Transportation Manufacturing Operations, Inc. company
guaranty 11 1/4s, 2009

Banking (1.2%)

495,000 Bangko Sentral NG Pilipinas bonds 8.6s, 2027 (Philippines)
250,000 Bank United Corp. notes 8 7/8s, 2007
860,000 Chevy Chase Savings Bank, Inc. sub. deb. 9 1/4s, 2005
850,000 Colonial Capital II 144A company guaranty 8.92s, 2027
110,000 Dime Capital Trust I bonds Ser. A, 9.33s, 2027
1,650,000 GS Escrow Corp. sr. notes 7 1/8s, 2005
2,310,000 Hanvit Bank 144A sub. notes 11 3/4s, 2010 (Korea)
930,000 Local Financial Corp. sr. notes 11s, 2004
165,000 North Fork Capital Trust I company guaranty 8.7s, 2026
115,000 Peoples Heritage Capital Trust company guaranty Ser. B,
9.06s, 2027
715,000 Provident Capital Trust company guaranty 8.6s, 2026
410,000 Riggs Capital Trust 144A bonds 8 5/8s, 2026
2,980,000 Sovereign Bancorp, Inc. sr. notes 10 1/2s, 2006
585,000 Sovereign Capital Trust company guaranty 9s, 2027
505,000 Webster Capital Trust I 144A bonds 9.36s, 2027

Beverage (0.1%)

420,000 Constellation Brands, Inc. company guaranty 8 1/2s, 2009

Broadcasting (3.7%)

1,440,000 Acme Television 144A sr. disc. notes stepped-coupon zero %
(10 7/8s, 9/30/00), 2004 (STP)
680,000 Allbritton Communications Co. sr. sub. notes Ser. B,
8 7/8s, 2008
910,000 AMFM Operating, Inc. deb. 12 5/8s, 2006 (PIK)
1,160,000 Benedek Communications Corp. sr. disc. notes stepped-coupon
zero % (13 1/4s, 5/15/01), 2006 (STP)
760,000 British Sky Broadcasting PLC company guaranty 8.2s, 2009

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(United Kingdom)

420,000 Central European Media Enterprises, Ltd. sr. notes 9 3/8s, 2004 (Bermuda)

2,040,000 Chancellor Media Corp. company guaranty 8s, 2008

559,390 Citadel Broadcasting, Inc. sr. sub. notes 10 1/4s, 2007

2,986,000 Diva Systems Corp. sr. disc. notes stepped-coupon Ser. B, zero % (12 5/8s, 3/1/03), 2008 (STP)

6,790,000 Echostar Broadband Corp. 144A sr. notes 10 3/8s, 2007

1,580,000 Echostar DBS Corp. sr. notes 9 3/8s, 2009

1,000,000 Emmis Broadcasting Corp. bank term loan, FRN 9.246s, 2009

920,000 Fox Family Worldwide, Inc. sr. disc. notes stepped-coupon zero % (10 1/4s, 11/1/02), 2007 (STP)

1,390,000 Fox Family Worldwide, Inc. sr. notes 9 1/4s, 2007

480,000 Fox/Liberty Networks LLC sr. notes 8 7/8s, 2007

790,000 Golden Sky Systems company guaranty Ser. B, 12 3/8s, 2006

900,000 Granite Broadcasting Corp. sr. sub. notes 8 7/8s, 2008

345,000 Knology Holdings, Inc. sr. disc. notes stepped-coupon zero % (11 7/8s, 10/15/02), 2007 (STP)

2,200,000 Lin Holdings Corp. sr. disc. notes stepped-coupon zero % (10s, 3/1/03), 2008 (STP)

280,000 LIN Television Corp. company guaranty 8 3/8s, 2008

830,000 News America, Inc. sr. notes 6 5/8s, 2008

450,000 Paxson Communications Corp. 144A sr. sub. notes 11 5/8s, 2002

50,000 Pegasus Communications Corp. sr. notes 12 1/2s, 2007

360,000 Pegasus Media & Communications notes Ser. B, 12 1/2s, 2005

4,096,000 PHI Holdings, Inc. sr. sub. notes zero %, 2001

1,010,000 Radio One, Inc. company guaranty stepped-coupon Ser. B, 7s (12s, 5/15/01), 2004 (STP)

130,000 RCN Corp. sr. disc. notes stepped-coupon zero % (11 1/8s, 10/15/02), 2007 (STP)

680,000 RCN Corp. sr. notes 10 1/8s, 2010

400,000 RCN Corp. sr. disc. notes stepped-coupon Ser. B, zero % (9.8s, 2/15/03), 2008 (STP)

370,000 Sinclair Broadcast Group, Inc. company guaranty 9s, 2007

640,000 Sinclair Broadcast Group, Inc. sr. sub. notes 8 3/4s, 2007

260,000 Spanish Broadcasting System, Inc. sr. sub. notes 9 5/8s, 2009

2,070,000 TV Azteca S.A. de C.V. sr. notes 10 1/2s, 2007 (Mexico)

800,000 XM Satellite Radio Holdings, Inc. sec. notes 14s, 2010

1,460,000 Young Broadcasting Inc. 144A sr. sub notes 10 1/8s, 2005

Building Materials (0.5%)

2,050,000 American Standard, Inc. company guaranty 7 5/8s, 2010

100,000 American Standard, Inc. company guaranty 7 1/8s, 2003

390,000 Atrium Companies, Inc. company guaranty Ser. B, 10 1/2s, 2009

860,000 Building Materials Corp. company guaranty 8s, 2008

1,420,000 Dayton Superior Corp. company guaranty 13s, 2009

690,000 NCI Building Systems, Inc. sr. sub. notes Ser. B, 9 1/4s, 2009

Cable Television (3.2%)

1,880,000 Adelphia Communications Corp. sr. notes 10 7/8s, 2010

1,630,000 Adelphia Communications Corp. sr. notes Ser. B, 9 7/8s, 2007

530,000 Adelphia Communications Corp. sr. notes Ser. B, 8 3/8s, 2008

320,000 Adelphia Communications Corp. sr. notes 7 7/8s, 2009

860,000 Century Communications Corp. sr. notes 8 7/8s, 2007

1,490,000 Charter Communications Holdings LLC 144A sr. disc. notes stepped-coupon zero % (13 1/2s, 1/15/06), 2011 (STP)

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710,000 Charter Communications Holdings LLC 144A sr. notes
11 1/8s, 2011

680,000 Charter Communications Holdings LLC sr. notes 10s, 2009

1,270,000 Charter Communications Holdings LLC sr. disc. notes
stepped-coupon zero % (9.92s, 4/1/04), 2011 (STP)

2,900,000 Charter Communications Holdings LLC sr. notes 8 5/8s, 2009

440,000 Charter Communications Holdings LLC sr. notes 8 1/4s, 2007

2,335,000 Comcast UK Cable, Ltd. deb. stepped-coupon zero %
(10 3/4s, 11/15/00), 2007 (Bermuda) (STP)

2,015,000 CSC Holdings, Inc. sr. sub. deb. 9 7/8s, 2013

290,000 CSC Holdings, Inc. deb. 7 5/8s, 2018

2,565,000 Diamond Cable Communication Co. sr. disc. notes
stepped-coupon zero % (10 3/4s, 2/15/02), 2007
(United Kingdom) (STP)

2,040,000 Insight Midwest LP/Insight Capital, Inc. 144A sr. notes
10 1/2s, 2010

1,049,000 International Cabletel, Inc. sr. disc. notes stepped-coupon
zero % (11 1/2s, 2/1/01), 2006 (STP)

1,130,000 Mediacom LLC/Mediacom Capital Corp. 144A sr. notes
9 1/2s, 2013

1,760,000 NTL Communications Corp. sr. notes Ser. B, 11 1/2s, 2008

1,520,000 NTL, Inc. sr. notes Ser. A, 12 3/4s, 2005

330,000 Rogers Cablesystems, Ltd. deb. 10 1/8s, 2012 (Canada)

170,000 Rogers Cablesystems, Ltd. notes 11s, 2015 (Canada)

930,000 Supercanal Holdings S.A. 144A sr. notes 11 1/2s, 2005
(Argentina) (In default) (NON)

590,000 TeleWest Communications PLC sr. disc. notes stepped-coupon
zero % (11 3/8s, 2/1/05), 2010 (United Kingdom) (STP)

570,000 TeleWest Communications PLC 144A sr. notes 11 1/4s, 2008
(United Kingdom)

700,000 TeleWest Communications PLC deb. 11s, 2007
(United Kingdom)

540,000 TeleWest Communications PLC structured note (issued by
DLJ International Capital) 10 7/8s, 2005 (United Kingdom)

80,000 TeleWest Communications PLC sr. notes 9 7/8s, 2010
(United Kingdom)

300,000 TeleWest Communications PLC deb. 9 5/8s, 2006
(United Kingdom)

960,000 TeleWest Communications PLC sr. disc. notes stepped-coupon
zero % (9 1/4s, 4/15/04), 2009 (United Kingdom) (STP)

2,420,000 United Pan-Europe N.V. sr. disc. notes stepped-coupon zero %
(13 3/4s, 2/1/05), 2010 (Netherlands) (STP)

350,000 United Pan-Europe N.V. sr. disc. notes stepped-coupon zero %
(12 1/2s, 8/1/04), 2009 (Netherlands) (STP)

380,000 United Pan-Europe N.V. sr. notes 11 1/4s, 2010 (Netherlands)

1,180,000 United Pan-Europe N.V. 144A bonds 10 7/8s,
2009 (Netherlands)

780,000 United Pan-Europe N.V. 144A sr. disc. notes stepped-coupon
zero % (12 1/2s, 8/1/04), 2009 (Netherlands) (STP)

Chemicals (1.9%)

2,490,000 Arco Chemical Co. deb. 9.8s, 2020

1,040,000 Geo Specialty Chemicals, Inc. sr. sub. notes 10 1/8s, 2008

220,000 Hercules, Inc. 144A company guaranty 11 1/8s, 2007

5,525,000 Huntsman ICI Chemicals, Inc. company guaranty 10 1/8s, 2009

1,130,000 ISP Holdings, Inc. sr. notes Ser. B, 9 3/4s, 2002

180,000 ISP Holdings, Inc. sr. notes Ser. B, 9s, 2003

975,000 Lyondell Petrochemical Co. sec. notes Ser. B, 9 7/8s, 2007

1,830,000 Lyondell Petrochemical Co. notes Ser. A, 9 5/8s, 2007

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290,000 PCI Chemicals & Pharmaceuticals company guaranty 9 1/4s, 2007 (India)
2,345,000 Pioneer Americas Acquisition 144A sr. notes 9 1/4s, 2007 (In default) (NON)
520,000 Polymer Group, Inc. company guaranty Ser. B, 9s, 2007
470,000 Polymer Group, Inc. company guaranty Ser. B, 8 3/4s, 2008
1,364,000 Polytama International notes 11 1/4s, 2007 (Indonesia)
1,210,000 Royster-Clark, Inc. 1st mtge. 10 1/4s, 2009
670,000 Scotts Co. (The) company guaranty 8 5/8s, 2009
1,085,000 Sterling Chemicals Holdings sr. disc. notes stepped-coupon zero % (13 1/2s, 8/15/01), 2008 (STP)
950,000 Sterling Chemicals, Inc. company guaranty Ser. B, 12 3/8s, 2006
720,000 Sterling Chemicals, Inc. sr. sub. notes 11 3/4s, 2006
330,000 Sterling Chemicals, Inc. sr. sub. notes Ser. A, 11 1/4s, 2007
280,000 Texas Petrochemical Corp. sr. sub. notes Ser. B, 11 1/8s, 2006
940,000 Trikem S.A. 144A bonds 10 5/8s, 2007 (Brazil)

Coal (0.1%)

728,450 Anker Coal Group, Inc. company guaranty Ser. B, 14 1/4s, 2007 (PIK)
1,760,000 Lodestar Holdings, Inc. company guaranty 11 1/2s, 2005 (In default) (NON)

Commercial and Consumer Services (0.4%)

2,150,000 Coinmach Corp. sr. notes Ser. D, 11 3/4s, 2005
855,000 GS Superhighway Holdings sr. notes 10 1/4s, 2007 (China)
510,000 GS Superhighway Holdings sr. notes 9 7/8s, 2004 (China)
1,000,000 Travel Centers of America Corp. bank term loan, FRN 10.01s, 2007

Communications Equipment (--%)

420,000 Telex Communications, Inc. 144A company guaranty 10 1/2s, 2007

Components (0.1%)

710,000 Seagate Technology, Inc. 144A company guaranty 12 1/2s, 2007 (Cayman Islands)

Construction (0.3%)

1,950,000 Better Minerals & Aggregates Co. company guaranty 13s, 2009
1,690,000 Morrison Knudsen Corp. 144A sr. notes 11s, 2010

Consumer (0.5%)

1,020,000 Derby Cycle Corp. (The) sr. notes 10s, 2008
760,000 Derby Cycle Corp. (The) sr. notes 9 3/8s, 2008
1,300,000 Home Interiors & Gifts, Inc. company guaranty 10 1/8s, 2008
1,600,000 Jostens, Inc. sr. sub notes 12 3/4s, 2010
1,390,000 Samsonite Corp. sr. sub. notes 10 3/4s, 2008

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1,000,000 Sealy Mattress Co. company guaranty stepped-coupon Ser. B,
zero % (10 7/8s, 12/15/02), 2007 (STP)
450,000 Sealy Mattress Co. sr. sub. notes Ser. B, 9 7/8s, 2007

Consumer Finance (0.4%)

1,015,000 Aames Financial Corp. sr. notes 9 1/8s, 2003
810,000 Conseco Finance Trust III, Inc. bonds 8.796s, 2027
980,000 Conseco Financial Corp. sr. sub. notes 10 1/4s, 2002
1,030,000 Contifinancial Corp. sr. notes 8 3/8s, 2003 (In default) (NON)
1,510,000 Contifinancial Corp. sr. notes 8 1/8s, 2008 (In default) (NON)
1,150,000 Contifinancial Corp. sr. notes 7 1/2s, 2002 (In default) (NON)
1,885,000 Delta Financial Corp. company guaranty 9 1/2s, 2004
550,000 Nationwide Credit, Inc. sr. notes Ser. A, 10 1/4s, 2008
790,000 Outsourcing Solutions, Inc. sr. sub. notes Ser. B, 11s, 2006

Consumer Goods (0.7%)

1,910,000 Albecca, Inc. company guaranty 10 3/4s, 2008
1,150,000 Doane Pet Care Corp. sr. sub. deb. 9 3/4s, 2007
860,000 Elizabeth Arden, Inc. 144A notes 11 3/4s, 2011
320,000 French Fragrances, Inc. company guaranty Ser. D, 10 3/8s, 2007
840,000 Leiner Health Products sr. sub. notes 9 5/8s, 2007
2,370,000 Playtex Products, Inc. sr. sub notes 9s, 2003
190,000 Playtex Products, Inc. 144A company guaranty Ser. B,
8 7/8s, 2004
350,000 Revlon Consumer Products sr. notes 8 1/8s, 2006

Consumer Services (0.3%)

795,000 Iron Mountain, Inc. company guaranty 8 3/4s, 2009
2,400,000 Iron Mountain, Inc. sr. sub. notes 8 1/4s, 2011

Consumer Staples (--%)

790,000 Doskcil Manufacturing Co sr. sub. notes 10 1/8s, 2007

Containers (0.7%)

1,530,000 AEP Industries, Inc. sr. sub. notes 9 7/8s, 2007
570,000 Huntsman Packaging Corp. company guaranty 13s, 2010
880,000 Owens-Illinois, Inc. sr. notes 8.1s, 2007
670,000 Owens-Illinois, Inc. sr. notes 7.15s, 2005
650,000 Radnor Holdings, Inc. sr. notes 10s, 2003
460,000 Stone Container Corp. 144A company guaranty 11 1/2s,
2006 (Canada)
2,100,000 Tekni-Plex, Inc. company guaranty Ser. B, 12 3/4s, 2010
510,000 U.S. Can Corp. 144A sr. sub. notes 12 3/8s, 2010

Electric Utilities (0.6%)

991,000 AES China Generating Co. sr. notes 10 1/8s, 2006 (China)

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310,000 CMS Energy Corp. sr. notes 7 1/2s, 2009
2,640,000 CMS Energy Corp. sr. notes Ser. B, 6 3/4s, 2004
775,917 Luannan Energy Co. sec. notes 12 1/4s, 2002
(Cayman Islands) (FWC/WIS)
806,228 Northeast Utilities System notes Ser. A, 8.58s, 2006
265,067 Northeast Utilities System notes Ser. B, 8.38s, 2005
992,500 TNP Enterprises, Inc. 9.04s, 2005

Energy (0.7%)

250,000 Compagnie Generale de Geophysique SA 144A sr. notes
10 5/8s, 2007 (France)
560,000 Grant Prideco, Inc. 144A sr. notes 9 5/8s, 2007
1,530,000 Parker Drilling Corp. company guaranty Ser. D, 9 3/4s, 2006
1,010,000 Pride Petroleum Services, Inc. sr. notes 9 3/8s, 2007
530,000 RBF Finance Co. company guaranty 11 3/8s, 2009
2,550,000 RBF Finance Co. company guaranty 11s, 2006

Entertainment (0.6%)

280,000 AMC Entertainment, Inc. sr. sub. notes 9 1/2s, 2011
1,805,000 Cinemark USA, Inc. sr. sub. notes 8 1/2s, 2008 (Mexico)
390,000 Premier Parks, Inc. sr. notes 9 3/4s, 2007
2,300,000 Premier Parks, Inc. sr. notes 9 1/4s, 2006
2,300,000 Regal Cinemas, Inc. sr. sub. notes 9 1/2s, 2008 (In default) (NON)
1,030,000 Regal Cinemas, Inc. sr. sub. notes 8 7/8s, 2010 (In default) (NON)
1,120,000 Silver Cinemas, Inc. sr. sub. notes 10 1/2s, 2005 (In default) (NON)
1,240,000 Six Flags, Inc. company guaranty 8 7/8s, 2006
420,000 Six Flags, Inc. 144A sr. notes 9 1/2s, 2009
859,000 United Artists Theatre 144A notes 10.415s, 2007 (In default) (NON)
2,459,000 United Artists Theatre sr. sub. notes Ser. B, 9 3/4s, 2008
(In default) (NON)

Financial (0.7%)

125,000 Advanta Corp. 144A company guaranty Ser. B, 8.99s, 2026
2,000,000 Advanta Corp. med. term notes Ser. B, 7s, 2001
600,000 Advanta Corp. med. term notes Ser. D, 6.92s, 2002
1,005,000 AMRESKO, Inc. sr. sub. notes Ser. 97-A, 10s, 2004
200,000 Finova Capital Corp. sr. notes 7 5/8s, 2009
675,000 Imperial Credit Capital Trust I 144A company guaranty
10 1/4s, 2002
510,000 Ocwen Capital Trust I company guaranty 10 7/8s, 2027
815,000 Ocwen Federal Bank sub. deb. 12s, 2005
680,000 Ocwen Financial Corp. notes 11 7/8s, 2003
1,030,000 Resource America, Inc. 144A sr. notes 12s, 2004
880,000 Superior Financial 144A sr. notes 8.65s, 2003

Food (0.4%)

710,000 Archibald Candy Corp. company guaranty 10 1/4s, 2004
420,000 Aurora Foods, Inc. sr. sub. notes Ser. B, 9 7/8s, 2007
965,000 Aurora Foods, Inc. 144A sr. sub. notes Ser. D, 9 7/8s, 2007
560,000 Eagle Family Foods company guaranty Ser. B, 8 3/4s, 2008

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900,000 Premier International Foods PLC sr. notes 12s, 2009
(United Kingdom)
1,570,000 RAB Enterprises, Inc. company guaranty 10 1/2s, 2005
1,220,000 Vlastic Foods Intl., Inc. sr. sub. notes Ser. B, 10 1/4s, 2009

Gaming & Lottery (3.0%)

710,000 Anchor Gaming company guaranty 9 7/8s, 2008
2,150,000 Autotote Corp. 144A company guaranty 12 1/2s, 2010
2,300,000 Autotote Corp. bank term loan FRN 7.195s, 2007
1,892,549 Fitzgeralds Gaming Corp. company guaranty Ser. B, 12 1/4s,
2004 (In default) (NON)
770,000 Harrah's Entertainment, Inc. company guaranty 7 7/8s, 2005
480,000 Harrah's Entertainment, Inc. company guaranty 7 1/2s, 2009
1,290,000 Hollywood Casino Corp. company guaranty 11 1/4s, 2007
970,000 Hollywood Park, Inc. company guaranty Ser. B, 9 1/4s, 2007
1,010,000 International Game Technology 144A sr. notes 8 3/8s, 2009
2,300,000 International Game Technology sr. notes 7 7/8s, 2004
540,000 Isle of Capri Black Hawk LLC 144A 1st mtge. Ser. B, 13s, 2004
930,000 Isle of Capri Casinos company guaranty 8 3/4s, 2009
1,270,000 Mandalay Resort Group sr. sub notes Ser. B, 10 1/4s, 2007
2,020,000 MGM Mirage company guaranty 8 3/8s, 2011
1,170,000 Mohegan Tribal Gaming, Auth. sr. sub. notes 8 3/4s, 2009
380,000 Mohegan Tribal Gaming, Auth. sr. notes 8 1/8s, 2006
130,000 Park Place Entertainment Corp. sr. sub. notes 9 3/8s, 2007
1,700,000 Park Place Entertainment Corp. sr. sub. notes 8 7/8s, 2008
410,000 Station Casinos, Inc. sr. sub notes 9 7/8s, 2010
3,380,000 Trump A.C. 1st mtge. 11 1/4s, 2006
1,810,000 Trump Castle Funding, Inc. 144A sr. sub. notes 11 3/4s, 2003
3,200,000 Trump Castle Funding, Inc. 144A sub. notes 10 1/4s, 2003
1,000,000 Venetian Casino, Inc. company guaranty 12 1/4s, 2004

Health Care (1.7%)

930,000 ALARIS Medical Systems, Inc. 144A company guaranty
9 3/4s, 2006
450,000 Bio-Rad Labs Corp. sr. sub. notes 11 5/8s, 2007
1,270,000 Conmed Corp. company guaranty 9s, 2008
750,000 HCA-The Healthcare Co. med. term notes 7.69s, 2025
520,000 HCA-The Healthcare Co. notes 8 3/4s, 2010
350,000 HCA-The Healthcare Co. notes 8.36s, 2024
1,060,000 HCA-The Healthcare Co. deb. 7.19s, 2015
1,530,000 HCA-The Healthcare Co. notes 7s, 2007
1,590,000 HCA-The Healthcare Corp. med. term notes 6.63s, 2045
805,000 Kinetic Concepts, Inc. company guaranty Ser. B, 9 5/8s, 2007
940,000 Lifepoint Hospital Holdings company guaranty Ser. B,
10 3/4s, 2009
1,330,000 Magellan Health Services, Inc. sr. sub. notes 9s, 2008
1,070,000 Mediq, Inc. company guaranty 11s, 2008 (In default) (NON)
940,000 Mediq, Inc. deb. stepped-coupon zero % (13s, 6/1/03), 2009 (STP)
1,330,000 Paracelsus Healthcare sr. sub. notes 10s, 2006 (In default) (NON)
310,000 Tenet Healthcare Corp. sr. notes Ser. B, 9 1/4s, 2010
1,503,000 Tenet Healthcare Corp. sr. notes Ser. B, 8 1/8s, 2008
120,000 Tenet Healthcare Corp. sr. notes 8s, 2005
880,000 Tenet Healthcare Corp. sr. notes Ser. B, 7 5/8s, 2008
2,390,000 Triad Hospitals Holdings company guaranty Ser. B, 11s, 2009

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Homebuilding (1.0%)

840,000 D.R. Horton, Inc. sr. sub. notes 9 3/4s, 2010
670,000 D.R. Horton, Inc. company guaranty 8s, 2009
370,000 Del Webb Corp. sr. sub. deb. 10 1/4s, 2010
410,000 Del Webb Corp. sr. sub. debs 9 3/4s, 2008
550,000 Del Webb Corp. sr. sub. deb. 9 3/8s, 2009
920,000 K. Hovnanian Enterprises, Inc. 144A company guaranty
10 1/2s, 2007
1,790,000 Lennar Corp. company guaranty Ser. B, 9.95s, 2010
720,000 Lennar Corp. sr. notes 7 5/8s, 2009
120,000 M.D.C. Holdings, Inc. sr. notes 8 3/8s, 2008
920,000 Ryland Group, Inc. sr. notes 9 3/4s, 2010
180,000 Ryland Group, Inc. sr. sub. notes 8 1/4s, 2008
880,000 Standard Pacific Corp. sr. notes 9 1/2s, 2010
970,000 Toll Corp. sr. sub notes 8 1/4s, 2011
910,000 Toll Corp. company guaranty 8 1/8s, 2009

Industrial (--%)

190,000 Dana Corp. notes 6 1/4s, 2004

Lodging/Tourism (0.8%)

1,030,000 Epic Resorts LLC company guaranty Ser. B, 13s, 2005
660,000 Felcor Lodging company guaranty 9 1/2s, 2008
640,000 HMH Properties, Inc. sr. notes Ser. C, 8.45s, 2008
3,910,000 HMH Properties, Inc. company guaranty Ser. B, 7 7/8s, 2008
1,720,000 ITT Corp. notes 6 3/4s, 2005
1,250,000 Meristar Hospitality Corp. 144A sr. notes 9 1/8s, 2011

Manufacturing (0.9%)

3,440,000 Blount, Inc. 144A company guaranty 13s, 2009
262,268 Blount, Inc. 9.315s, 2006
775,000 Continental Global Group sr. notes Ser. B, 11s, 2007
992,983 Flowserve Corp. bank term loan 9.464s, 2006
1,860,000 Flowserve Corp. company guaranty 12 1/4s, 2010
2,160,000 Motors and Gears, Inc. sr. notes Ser. D, 10 3/4s, 2006
575,000 Roller Bearing Co. company guaranty Ser. B, 9 5/8s, 2007

Medical Services (0.1%)

190,000 Healthsouth Corp. sr. sub. notes 10 3/4s, 2008
1,260,000 Integrated Health Services, Inc. sr. sub. notes Ser. A, 9 1/2s,
2007 (In default) (NON)
620,000 Integrated Health Services, Inc. sr. sub. notes Ser. A, 9 1/4s,
2008 (In default) (NON)
510,000 Mariner Post-Acute Network, Inc. sr. sub. notes stepped-coupon
Ser. B, zero % (10 1/2s, 11/1/02), 2007 (In default) (STP)
2,500,000 Mariner Post-Acute Network, Inc. sr. sub. notes Ser. B, 9 1/2s,
2007 (In default) (NON)
2,690,000 Multicare Cos., Inc. sr. sub. notes 9s, 2007 (In default) (NON)
190,000 Service Corp. International debs. 7 7/8s, 2013
120,000 Service Corp. International notes 7.7s, 2009

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1,130,000 Service Corp. International notes 6s, 2005
1,345,000 Sun Healthcare Group, Inc. sr. sub. notes Ser. B, 9 1/2s, 2007
(In default) (NON)
1,080,000 Sun Healthcare Group, Inc. 144A sr. sub. notes 9 3/8s, 2008
(In default) (NON)

Medical Technology (0.1%)

1,780,000 Hanger Orthopedic Group, Inc. sr. sub. notes 11 1/4s, 2009

Metals (0.6%)

2,490,000 AK Steel Corp. company guaranty 7 7/8s, 2009
1,710,000 Kaiser Aluminum & Chemical Corp. sr. sub. notes 12 3/4s, 2003
80,000 Kaiser Aluminum & Chemical Corp. sr. notes Ser. B,
10 7/8s, 2006
40,000 Kaiser Aluminum & Chemical Corp. sr. notes 9 7/8s, 2002
1,680,000 LTV Corp. company guaranty 11 3/4s, 2009
1,760,000 National Steel Corp. 1st mtge. Ser. D, 9 7/8s, 2009
406,000 Oregon Steel Mills 1st mortgage 11s, 2003
600,000 P&L Coal Holdings Corp. company guaranty Ser. B,
9 5/8s, 2008
1 UCAR Global 8.663s, 2008
730,000 WCI Steel, Inc. sr. notes Ser. B, 10s, 2004
100,000 Weirton Steel Co. 144A sr. notes 10 3/4s, 2005
1,290,000 Wheeling-Pittsburgh Steel Corp. sr. notes 9 1/4s, 2007
(In default) (NON)
690,000 WHX Corp. sr. notes 10 1/2s, 2005

Oil & Gas (1.8%)

1,800,000 Belco Oil & Gas Corp. company guaranty Ser. B, 10 1/2s, 2006
570,000 Belco Oil & Gas Corp. sr. sub. notes Ser. B, 8 7/8s, 2007
420,000 Chesapeake Energy Corp. company guaranty Ser. B,
9 5/8s, 2005
470,000 Giant Industries Corp. company guaranty 9s, 2007
150,000 Gulf Canada Resources, Ltd. sr. sub. notes 9 5/8s,
2005 (Canada)
1,120,000 HS Resources, Inc. company guaranty 9 1/4s, 2006
800,000 Leviathan Gas Corp. company guaranty Ser. B, 10 3/8s, 2009
1,430,000 Nuevo Energy Co. sr. sub. notes Ser. B, 9 1/2s, 2008
1,020,000 Nuevo Energy Co. 144A sr. sub. notes 9 3/8s, 2010
1,370,000 Ocean Energy, Inc. company guaranty Ser. B, 8 7/8s, 2007
930,000 Ocean Energy, Inc. company guaranty Ser. B, 8 3/8s, 2008
2,540,000 Pioneer Natural Resources Co. company guaranty 9 5/8s, 2010
120,000 Port Arthur Finance Corp. company guaranty 12 1/2s, 2009
420,000 Seven Seas Petroleum sr. notes Ser. B, 12 1/2s, 2005
810,000 Snyder Oil Corp. sr. sub. notes 8 3/4s, 2007
310,000 Stone Energy Corp. company guaranty 8 3/4s, 2007
1,020,000 Triton Energy, Ltd. sr. notes 8 7/8s, 2007 (Cayman Islands)
1,590,000 Vintage Petroleum sr. sub. notes 9 3/4s, 2009
430,000 Vintage Petroleum sr. sub. notes 9s, 2005

Paper & Forest Products (2.4%)

650,000 Abitibi-Consolidated, Inc. deb. 8.85s, 2030 (Canada)

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1,280,000 Abitibi-Consolidated, Inc. bonds 8.55s, 2010 (Canada)
1,600,000 App China Group Ltd. 144A sr. disc. notes 14s, 2010 (Bermuda)
1,505,000 APP Finance II Mauritius, Ltd. bonds stepped-coupon zero %
(12s, 2/15/04), 2049 (Indonesia) (STP)
526,000 Doman Industries, Ltd. company guaranty 12s, 2004 (Canada)
1,505,000 Doman Industries, Ltd. 144A sr. notes 8 3/4s, 2004
1,860,000 Four M Corp. sr. notes Ser. B, 12s, 2006
170,000 Gaylord Container Corp. sr. notes Ser. B, 9 3/4s, 2007
250,000 Gaylord Container Corp. sr. notes Ser. B, 9 3/8s, 2007
1,295,000 Gaylord Container Corp. sr. sub. notes 9 7/8s, 2008
4,250,000 Indah Kiat Financial Mauritius, Ltd. company guaranty 10s,
2007 (Indonesia)
1,450,000 Pacifica Papers, Inc. sr. notes 10s, 2009 (Canada)
2,810,000 Pindo Deli Finance Mauritius, Ltd. 144A company guaranty
10 3/4s, 2007 (Indonesia)
2,320,000 Riverwood International Corp. company guaranty 10 7/8s, 2008
420,000 Riverwood International Corp. company guaranty 10 5/8s, 2007
180,000 Stone Container Corp. sr. notes 12.58s, 2016
32,000 Stone Container Corp. sr. sub. deb. stepped-coupon 12 1/4s
(12 1/4s, 5/12/00), 2002 (STP)
90,000 Stone Container Corp. 1st mtge. 10 3/4s, 2002
838,786 Stone Container Corp. 10.105s, 2006
2,650,000 Stone Container Corp. 144A sr. notes 9 3/4s, 2011
4,787,826 Stone Container Corp. 9 3/8s, 2006
970,000 Stone Container Corp. 144A sr. notes 9 1/4s, 2008
1,080,000 Tembec Industries, Inc. company guaranty 8 5/8s, 2009 (Canada)

Pharmaceuticals (0.3%)

1,240,000 ICN Pharmaceuticals, Inc. 144A sr. notes 9 1/4s, 2005
1,230,000 ICN Pharmaceuticals, Inc. 144A sr. notes 8 3/4s, 2008
110,000 ICN Pharmaceuticals, Inc. 144A sr. notes 8 3/4s, 2008

Power Producers (1.4%)

3,550,000 AES Corp. sr. notes 9 3/8s, 2010
530,000 Calpine Corp. sr. notes 10 1/2s, 2006
230,000 Calpine Corp. sr. notes 9 1/4s, 2004
1,050,000 Calpine Corp. sr. notes 7 7/8s, 2008
30,000 Calpine Corp. sr. notes 7 3/4s, 2009
3,150,000 Midland Funding II Corp. deb. Ser. B, 13 1/4s, 2006
1,220,000 Midland Funding II Corp. deb. Ser. A, 11 3/4s, 2005
386,564 Midland Funding II Corp. deb. Ser. C-94, 10.33s, 2002
1,270,000 Tiverton/Rumford Power Associates, Ltd. 144A pass-through
certificates 9s, 2018
1,655,000 York Power Funding 144A notes 12s, 2007 (Cayman Islands)

Publishing (0.4%)

2,155,000 Affinity Group Holdings 144A sub. notes 11s, 2007
129,280 Big Flower Holdings bank term loan FRN 9.004s, 2010
290,000 Garden State Newspapers, Inc. sr. sub. notes Ser. B, 8 3/4s, 2009
760,000 Garden State Newspapers, Inc. sr. sub. notes 8 5/8s, 2011
770,000 PriMedia, Inc. company guaranty Ser. B, 8 1/2s, 2006
360,000 PriMedia, Inc. company guaranty 7 5/8s, 2008

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Railroads (0.3%)

1,020,000 Kansas City Southern Railway 144A sr. notes 9 1/2s, 2008
1,100,000 Railamerica Transportation Corp. company guaranty
12 7/8s, 2010
1,625,000 TFM S.A. de C.V. company guaranty stepped-coupon zero %
(11 3/4s, 6/15/02), 2009 (Mexico) (STP)

Regional Bells (0.1%)

610,000 Alaska Communications Systems Corp. company guaranty
9 3/8s, 2009

Restaurants (0.5%)

480,000 Domino's, Inc. company guaranty Ser. B, 10 3/8s, 2009
1,080,000 FRD Acquisition Co. sr. notes Ser. B, 12 1/2s, 2004
1,800,000 Sbarro, Inc. company guaranty 11s, 2009
1,470,000 Tricon Global Restaurants, Inc. sr. notes 7.65s, 2008
830,000 Tricon Global Restaurants, Inc. sr. notes 7.45s, 2005

Retail (0.9%)

2,700,000 Amazon.com, Inc. sr. sub. notes stepped-coupon zero %
(10s, 5/1/03), 2008 (STP)
1,460,000 Grupo Elektra S.A. de C.V. sr. notes 12s, 2008 (Mexico)
560,000 Iron Age Corp. company guaranty 9 7/8s, 2008
40,000 Iron Age Holdings Corp. sr. disc. notes stepped-coupon zero %
(12 1/8s, 5/1/03), 2009 (STP)
710,000 K mart Corp. notes 9 3/8s, 2006
1,000,000 K mart Corp. notes 8 3/8s, 2004
700,000 K mart Corp. pass thru certificates Ser. 95K4, 9.35s, 2020
1,030,000 Mothers Work, Inc. sr. notes 12 5/8s, 2005
3,460,000 Saks, Inc. company guaranty 8 1/4s, 2008
190,000 Southland Corp. sr. sub. deb. 5s, 2003
80,000 Southland Corp. deb. Ser. A, 4 1/2s, 2004

Semiconductor (0.4%)

540,000 Amkor Technologies, Inc., structured note (issued by Steers,
Credit Linked Trust 2000) 12.58s, 2005
590,000 ChipPac Intl., Ltd. company guaranty Ser. B, 12 3/4s, 2009
490,000 Fairchild Semiconductor Corp. 144A sr. sub. notes 10 1/2s, 2009
60,000 Fairchild Semiconductor Corp. company guaranty 10 3/8s, 2007
1,990,000 Fairchild Semiconductor Corp. sr. sub. notes 10 1/8s, 2007

Shipping (0.2%)

500,000 Eletson Holdings 1st pfd. mtge. notes 9 1/4s, 2003 (Greece)
110,000 International Shipholding Corp. sr. notes 9s, 2003
320,000 Kitty Hawk, Inc. company guaranty 9.95s, 2004 (In default) (NON)
1,680,000 Navistar International Corp. sr. notes Ser. B, 8s, 2008

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1,420,000 Pegasus Shipping 144A company guaranty stepped-coupon
zero % (14 1/2s, 6/20/03), 2008 (Bermuda) (STP)

Software (--%)

630,000 Telehub Communications Corp. company guaranty
stepped-coupon zero % (13 7/8s, 7/31/02), 2005 (STP)

Specialty Printing (0.1%)

1,000,000 Perry-Judd company guaranty 10 5/8s, 2007
316,775 Von Hoffman Press, Inc. 144A sr. sub. notes 13 1/2s, 2009
370,000 Von Hoffman Press, Inc. 144A sr. sub. notes 10 3/8s, 2007

Technology (0.9%)

310,000 Amkor Technologies, Inc. sr. sub. notes 10 1/2s, 2009
1,110,000 Amkor Technologies, Inc. sr. notes 9 1/4s, 2006
670,000 Celestica International, Ltd. 144A sr. sub. notes 10 1/2s,
2006 (Canada)
530,000 Colo.com 144A units 13 7/8s, 2010
1,540,000 Flextronics International, Ltd. sr. sub. notes 9 7/8s,
2010 (Singapore)
1,080,000 Flextronics International, Ltd. sr. sub. notes Ser. B, 8 3/4s, 2007
620,000 SCG Holding & Semiconductor Corp. company guaranty
12s, 2009
1,765,000 Telecommunications Techniques, Inc. company guaranty
9 3/4s, 2008
1,750,000 Viasystems, Inc. sr. notes Ser. B, 9 3/4s, 2007
810,000 Viasystems, Inc. sr. sub. notes 9 3/4s, 2007

Technology Services (0.6%)

950,000 Equinix, Inc. sr. notes 13s, 2007
2,770,000 Exodus Communications, Inc. sr. notes 11 5/8s, 2010
290,000 Exodus Communications, Inc. 144A sr. notes 11 1/4s, 2008
860,000 Exodus Communications, Inc. sr. notes 10 3/4s, 2009
2,100,000 Globix Corp. sr. notes 12 1/2s, 2010
230,000 PSINet, Inc. sr. notes 11 1/2s, 2008
1,660,000 PSINet, Inc. sr. notes 11s, 2009
160,000 PSINet, Inc. sr. notes Ser. B, 10s, 2005
180,000 Rhythms Netconnections, Inc. sr. notes Ser. B, 14s, 2010

Telecommunications (5.5%)

160,000 American Mobile Satellite Corp. company guaranty
12 1/4s, 2008
2,060,000 American Tower Corp. 144A sr. notes 9 3/8s, 2009
590,000 Arch Communications, Inc. sr. disc. notes stepped-coupon
zero % (10 7/8s, 3/15/01), 2008 (STP)
810,000 Bestel S.A. de C.V. sr. disc. notes stepped-coupon zero %
(12 3/4s, 5/15/03), 2005 (Mexico) (STP)
710,000 Call-Net Enterprises, Inc. sr. notes 8s, 2008 (Canada)
570,000 Carrier1 Intl. SA 144A sr. notes Ser. B, 13 1/4s, 2009 (Sweden)

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2,400,000 Celcaribe S.A. sr. notes stepped-coupon zero %
(13 1/2s, 3/15/04), 2004 (Colombia) (STP)

940,000 Covad Communications Group, Inc. sr. notes 12 1/2s, 2009

40,000 Covad Communications Group, Inc. sr. notes Ser. B, 12s, 2010

460,000 Crown Castle International Corp. sr. disc. notes
stepped-coupon zero % (11 1/4s, 8/1/04), 2011 (STP)

1,910,000 Crown Castle International Corp. sr. notes 10 3/4s, 2011

330,000 Dobson Communications Corp. sr. notes 10 7/8s, 2010

1,220,000 Dobson/Sygnnet Communications, Inc. sr. notes 12 1/4s, 2008

2,270,000 Econophone, Inc. company guaranty 13 1/2s, 2007

580,000 Esprit Telecom Group PLC sr. notes 11 1/2s, 2007
(United Kingdom) (In default) (NON)

2,000,000 Firstworld Communication Corp. sr. disc. notes
stepped-coupon zero % (13s, 4/15/03), 2008 (STP)

360,000 Global Crossing Holdings, Ltd. company guaranty 9 1/2s,
2009 (Bermuda)

870,000 Global Crossing Holdings, Ltd. company guaranty 9 1/8s,
2006 (Bermuda)

1,470,000 Global Crossing Holdings, Ltd. 144A sr. notes 8.7s,
2007 (Bermuda)

815,000 Grupo Iusacell sr. notes 14 1/4s, 2006 (Mexico)

80,000 Hermes Europe Railtel 144A sr. notes 11 1/2s,
2007 (Netherlands)

160,000 Hermes Europe Railtel sr. notes 10 3/8s, 2009

1,270,000 Innova S De R.L. sr. notes 12 7/8s, 2007 (Mexico)

1,250,000 Intira Corp. bonds stepped-coupon zero %
(13s, 8/1/05), 2010 (STP)

360,000 Level 3 Communication, Inc. sr. disc. notes stepped-coupon
zero % (12 7/8s, 3/15/05), 2010 (STP)

250,000 Level 3 Communication, Inc. sr. notes 11 1/4s, 2010

2,290,000 Level 3 Communication, Inc. sr. notes 11s, 2008

570,000 Level 3 Communication, Inc. sr. disc. notes stepped-coupon
zero % (10 1/2s, 12/1/03), 2008 (STP)

190,000 Level 3 Communication, Inc. sr. notes 9 1/8s, 2008

1,450,000 Maxcom Telecomunicaciones SA de CV company guaranty
Ser. B, 13 3/4s, 2007

1,040,000 McCaw International, Ltd. sr. disc. notes stepped-coupon
zero % (13s, 4/15/02), 2007 (STP)

310,000 Metrocall, Inc. sr. sub. notes 11s, 2008

250,000 Metrocall, Inc. sr. sub. notes 10 3/8s, 2007

260,000 Metrocall, Inc. sr. sub. notes 9 3/4s, 2007

1,580,000 Metromedia Fiber Network, Inc. sr. notes 10s, 2009

1,570,000 Metromedia Fiber Network, Inc. sr. notes Ser. B, 10s, 2008

1,850,000 Millicom International Cellular S.A. sr. disc. notes stepped-
coupon zero % (13 1/2s, 6/1/01), 2006 (Luxembourg) (STP)

2,210,000 Nextel International, Inc. 144A sr. notes 12 3/4s, 2010

2,010,000 Nextel Communications, Inc. sr. notes 12s, 2008

5,570,000 Nextel Communications, Inc. 144A sr. notes 9 1/2s, 2011

1,830,000 Nextel Partners, Inc. sr. notes 11s, 2010

840,000 NorthEast Optic Network, Inc. sr. notes 12 3/4s, 2008

990,000 Orbital Imaging Corp. sr. notes Ser. B, 11 5/8s, 2005

1,280,000 Pagemart Wireless, Inc. sr. disc. notes stepped-coupon zero %
(11 1/4s, 2/1/03), 2008 (STP)

250,000 Paging Network Do Brasil sr. notes 13 1/2s, 2005 (Brazil)
(In default) (NON)

2,330,000 Pinnacle Holdings, Inc. sr. disc. notes stepped-coupon zero %
(10s, 3/15/03), 2008 (STP)

890,000 Price Communications Wireless, Inc. 144A sr. notes 9 1/8s, 2006

1,350,000 Primus Telecommunications Group, Inc. sr. notes Ser. B,
9 7/8s, 2008

910,000 Rogers Cantel, Inc. sr. sub. notes 8.8s, 2007 (Canada)

810,000 RSL Communications PLC company guaranty 12 7/8s, 2010

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(United Kingdom)

1,025,000 RSL Communications, Ltd. company guaranty 12 1/4s, 2006 (Bermuda)

635,000 RSL Communications PLC company guaranty 9 1/8s, 2008 (United Kingdom)

1,040,000 SBA Communications Corp. 144A sr. notes 10 1/4s, 2009

1,190,000 Spectrasite Holdings, Inc. sr. disc. notes stepped-coupon Ser. B, zero % (12 7/8s, 3/15/05) 2010

970,000 Spectrasite Holdings, Inc. sr. disc. notes stepped-coupon zero % (11 1/8s, 4/15/04), 2009

1,380,000 Startec Global Communications Corp. sr. notes 12s, 2008

50,000 USA Mobile Communication, Inc. sr. notes 9 1/2s, 2004

1,490,000 Viatel, Inc. sr. disc. notes stepped-coupon zero % (12 1/2s, 4/15/03), 2008 (STP)

2,070,000 Viatel, Inc. sr. notes 11 1/4s, 2008

2,370,000 Voicestream Wireless Corp. sr. notes 10 3/8s, 2009

2,000,000 Western Wireless Corp. bank term loan FRN 8.65s, 2008

760,000 Williams Communications Group, Inc. sr. notes 11.7s, 2010

980,000 Williams Communications Group, Inc. sr. notes 11.7s, 2008

870,000 Williams Communications Group, Inc. sr. notes 10 7/8s, 2009

280,000 Williams Communications Group, Inc. sr. notes 10.7s, 2007

1,250,000 World Access, Inc. sr. notes Ser. B, 13 1/4s, 2008

Telephone (2.8%)

290,000 Airgate PCS, Inc. sr. sub. notes stepped-coupon zero % (13 1/2s, 10/1/04), 2009 (STP)

210,000 Alamosa Delaware, Inc. 144A sr. notes 12 1/2s, 2011

120,000 Alamosa PCS Holdings, Inc. company guaranty stepped-coupon zero % (12 7/8s, 2/15/05), 2010 (STP)

510,000 Allegiance Telecom, Inc. 144A sr. notes 12 7/8s, 2008

600,000 Allegiance Telecom, Inc. sr. disc. notes stepped-coupon Ser. B, zero % (11 3/4s, 2/15/03), 2008 (STP)

160,000 Asia Global Crossing 144A sr. notes 13 3/8s, 2010 (Bermuda)

780,000 Birch Telecommunications, Inc. sr. notes 14s, 2008

1,710,000 BTI Telecom Corp. sr. notes 10 1/2s, 2007

830,000 CFW Communications Co. sr. notes 13s, 2010

1,140,000 Flag Ltd. 144A sr. notes 8 1/4s, 2008 (Bermuda)

1,535,000 Focal Communications Corp. sr. sub. notes stepped-coupon Ser. B, zero % (12 1/8s, 2/15/03), 2008 (STP)

80,000 Focal Communications Corp. sr. notes 11 7/8s, 2010

150,000 Hyperion Telecommunications Corp., Inc. sr. sub. notes 12s, 2007

1,420,000 ICG Services, Inc. sr. disc. notes stepped-coupon zero % (10s, 2/15/03), 2008 (In default) (STP)

3,790,000 ICG Services, Inc. sr. disc. notes stepped-coupon zero % (9 7/8s, 5/1/03), 2008 (STP)

770,000 Intermedia Communications, Inc. sr. disc. notes stepped-coupon Ser. B, zero % (12 1/4s, 3/1/04), 2009 (STP)

90,000 Intermedia Communications, Inc. sr. notes Ser. B, 8.6s, 2008

630,000 Intermedia Communications, Inc. sr. notes Ser. B, 8 1/2s, 2008

4,175,000 KMC Telecommunications Holdings, Inc. sr. disc. notes stepped-coupon zero % (12 1/2s, 2/15/03), 2008 (STP)

1,000,000 Leap Wireless International, Inc. company guaranty 12 1/2s, 2010

1,930,000 Madison River Capital Corp. sr. notes 13 1/4s, 2010

760,000 McLeodUSA, Inc. sr. notes 11 3/8s, 2009

450,000 McLeodUSA, Inc. sr. notes 9 1/2s, 2008

1,580,000 McLeodUSA, Inc. sr. notes 8 1/8s, 2009

1,660,000 Microcell Telecommunications sr. disc. notes stepped-coupon Ser. B, zero % (14s, 12/1/01), 2006 (Canada) (STP)

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380,000 Netia Holdings B.V. 144A company guaranty 10 1/4s,
2007 (Poland)
760,000 Netia Holdings B.V. 144A company guaranty stepped-coupon
zero % (11 1/4s, 11/1/01), 2007 (Poland) (STP)
1,420,000 Nextlink Communications, Inc. sr. disc. notes stepped-coupon
zero % (12 1/4s, 6/1/04), 2009 (STP)
190,000 Nextlink Communications, Inc. sr. notes 10 3/4s, 2009
660,000 RSL Communications PLC 144A 10 1/2s, 2008
(United Kingdom)
450,000 Tele1 Europe B.V. sr. notes 13s, 2009 (Netherlands)
1,060,000 Telecorp PCS, Inc. company guaranty 10 5/8s, 2010
1,550,000 Time Warner Telecom, Inc. 144A sr. notes 10 1/8s, 2011
730,000 Time Warner Telecom, Inc. sr. notes 9 3/4s, 2008
440,000 Transtel S.A. pass thru certificates 12 1/2s, 2007 (In default) (NON)
1,230,000 Tritel PCS, Inc. 144A sr. sub notes 10 3/8s, 2011
1,010,000 Triton PCS, Inc. 144A sr. sub notes 9 3/8s, 2011
2,310,000 UbiquiTel Operating Co. company guaranty stepped-coupon
zero % (14s, 4/15/05), 2010 (STP)
1,760,000 US Unwired, Inc. company guaranty stepped-coupon Ser. B,
zero % (13 3/8s, 11/1/04), 2009 (STP)
850,000 Versatel Telecom N.V. sr. notes 13 1/4s, 2008 (Netherlands)
320,000 Versatel Telecom N.V. sr. notes 13 1/4s, 2008 (Netherlands)
5,406,000 WinStar Communications, Inc. sr. disc. notes stepped-coupon
zero % (14 3/4s, 4/15/05), 2010 (STP)
950,000 WinStar Communications, Inc. sr. notes 12 3/4s, 2010
480,000 WinStar Communications, Inc. sr. notes 12 1/2s, 2008
430,000 XO Communications, Inc. sr. disc. notes stepped-coupon
zero % (9.45s, 4/15/03), 2008 (STP)

Textiles (1.0%)

360,000 Galey & Lord, Inc. company guaranty 9 1/8s, 2008
1,605,000 Guess Jeans, Inc. sr. sub. notes 9 1/2s, 2003
1,160,000 Kasper A.S.L., Ltd. sr. notes 12 3/4s, 2004 (In default) (NON)
3,060,000 Levi Strauss & Co. 144A sr. notes 11 5/8s, 2008
270,000 Tommy Hilfiger USA, Inc. company guaranty 6 1/2s, 2003
2,100,000 Westpoint Stevens, Inc. sr. notes 7 7/8s, 2008
1,300,000 Westpoint Stevens, Inc. sr. notes 7 7/8s, 2005
635,000 William Carter Holdings Co. sr. sub. notes Ser. A, 12s, 2008
645,000 William Carter Holdings Co. sr. sub. notes Ser. A, 10 3/8s, 2006

Tobacco (0.1%)

1,690,000 North Atlantic Trading Co. company guaranty Ser. B, 11s, 2004

Utilities (0.1%)

1,980,000 Cathay International, Ltd. 144A sr. notes 13s, 2008 (China)

Waste Management (0.8%)

3,595,000 Allied Waste Industries, Inc. company guaranty Ser. B, 10s, 2009
1,740,000 Allied Waste Industries, Inc. 144A company guaranty
8 7/8s, 2008
195,743 Allied Waste Industries, Inc. bank term loan, FRN 8 7/8s, 2006
275,760 Allied Waste Industries, Inc. bank term loan, FRN 8.311s, 2007
2,430,000 Browning-Ferris Industries, Inc. 144A deb. 7.4s, 2035

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Water Utilities (0.1%)

520,000 Azurix Corp. sr. notes Ser. B, 10 3/4s, 2010
420,000 Azurix Corp. sr. notes Ser. B, 10 3/8s, 2007

Total Corporate Bonds and Notes (cost \$567,206,499)

FOREIGN GOVERNMENT BONDS AND NOTES (13.5%) (a) PRINCIPAL AMOUNT

USD 3,849,000 Argentina (Republic of) 11 3/4s, 2015
USD 1,315,000 Argentina (Republic of) notes Ser. XW, 11s, 2005
USD 2,696,000 Argentina (Republic of) unsub. 11 3/4s, 2009
USD 2,365,000 Brazil (Federal Republic of) bonds 12 3/4s, 2020
USD 3,645,000 Brazil (Federal Republic of) bonds 12 1/4s, 2030
CAD 3,695,000 Canada (Government of) bonds 6s, 2011
CAD 2,725,000 Canada (Government of) bonds 5 1/2s, 2010
CAD 1,405,000 Canada (Government of) bonds Ser. WB60,
7 1/4s, 2007
CAD 5,240,000 Canada (Government of) bonds Ser. WL43,
5 3/4s, 2029
USD 1,385,000 Colombia (Republic of) bonds 11 3/4s, 2020
EUR 16,210,000 Germany (Federal Republic of) bonds Ser. 132,
4 1/8s, 2004
EUR 4,920,000 Germany (Federal Republic of) bonds Ser. 98,
5 5/8s, 2028
GRD 12,915,627 Hellenic Greece (Republic of) bonds 6 1/2s, 2014
EUR 15,785,000 Italy (Government of) bonds 7 1/4s, 2026
EUR 4,950,000 Italy (Government of) sr. unsub. 4 1/4s, 2002
USD 1,184,000 Morocco (Kingdom of) floating rate govt. guaranty
Ser. A, 7 3/4s, 2009
NZD 12,305,000 New Zealand (Government of) bonds Ser. 709,
7s, 2009
USD 1,675,000 Philippines (Republic of) bonds 9 7/8s, 2019
USD 2,305,000 Philippines (Republic of) notes 10 5/8s, 2025
USD 3,665,000 Russia (Federation of) 144A bonds 12 3/4s, 2028
USD 2,295,000 Russia (Federation of) unsub. 10s, 2007
USD 2,625,000 Russia (Federation of) unsub. 8 1/4s, 2010
USD 13,072,500 Russia (Federation of) 144A unsub. 2 1/2s, 2030
GBP 4,420,000 United Kingdom Treasury bonds 10s, 2003
GBP 5,355,000 United Kingdom 144A Treasury bonds Ser. 85,
9 3/4s, 2002
GBP 4,100,000 United Kingdom Treasury bonds 8 1/2s, 2005
USD 2,410,000 United Mexican States bonds 11 3/8s, 2016
USD 5,455,000 United Mexican States bonds Ser. XW, 10 3/8s, 2009
USD 1,985,000 Venezuela (Republic of) bonds 9 1/4s, 2027

Total Foreign Government Bonds and Notes
(cost \$129,815,929)

U.S. GOVERNMENT AND AGENCY OBLIGATIONS (13.4%) (a) PRINCIPAL AMOUNT

U.S. Government Agency Mortgage Obligations (2.5%)

\$ 155,484 Federal Home Loan Mortgage Corporation 7 1/2s,

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March 1, 2026
Federal National Mortgage Association
Pass-Through Certificates

20,247,885 7 1/2s, with due dates from June 1, 2015 to
October 1, 2015

2,705,000 6s, May 15, 2008
Government National Mortgage Association
Pass-Through Certificates

832,139 8s, December 15, 2022

U.S. Treasury Obligations (10.9%)

10,860,000 U.S. Treasury Bonds 6 1/4s, May 15, 2030
U.S. Treasury Notes

55,240,000 6 1/2s, February 15, 2010 (SEG)

34,320,000 5 3/4s, August 15, 2010

Total U.S. Government and Agency Obligations
(cost \$128,982,510)

COLLATERALIZED MORTGAGE OBLIGATIONS (10.3%) (a) PRINCIPAL AMOUNT

\$ 80,000 Amresco Commercial Mortgage Funding I 7.64s, 2029

1,780,901 Blackstone Hotel Acquisition Co. sr. mtge. loan 10.26s, 2003
Commercial Mortgage Acceptance Corp.

2,305,000 Ser. 97-ML1, Class D, 7.053s, 2010

6,984,879 Ser. 97-ML1, Interest Only (IO), 0.955s, 2017

76,351,981 Commercial Mortgage Asset Trust Ser. 99-C1, Class X, IO,
0.928s, 2020

2,685,000 Countrywide Home Loan Ser. 98-3, Class A5, 6 3/4s, 2028

4,100,000 Countrywide Mortgage Backed Securities, Inc. Ser. 93-C,
Class A8, 6 1/2s, 2024
Criimi Mae Commercial Mortgage Trust

12,243,000 Ser. 98-C1, Class A2, 7s, 2011

3,474,000 Ser. 98-C1, Class B, 7s, 2011

70,275,687 Deutsche Mortgage & Asset Receiving Corp. Ser. 98-C1,
Class X, IO, 1.233s, 2023
Fannie Mae

1,394,200 Ser. 98-1, Class SA, IO, 10.205s, 2024

5,079,856 Ser. 281, Class 2, IO, 9s, 2026

2,232,276 Ser. 217, Class 2, IO, 8s, 2023

2,560,999 Ser. 203, Class 2, IO, 8s, 2023

2,692,286 Ser. 251, Class 2, IO, 8s, 2023

804,404 Ser. 176, Class 2, IO, 8s, 2022

11,838 Ser. 92-15, Class L, IO, 8s, 2022

5,696,139 Ser. 254, Class 2, IO, 7.5s, 2024

5,118,349 Ser. 266, Class2, IO, 7.5s, 2024

14,235,488 Ser. 218, Class 2, IO, 7.5s, 2023

7,392,731 Ser. 221, Class 2, IO, 7.5s, 2023

4,085,135 Ser. 252, Class 2, IO, 7.5s, 2023

6,666,732 Ser. 93-251, Class Z, 6 1/2s, 2023

5,908,754 Ser. 97-91, Class SL, IO, 4.75s, 2023

917,660 Ser. 92-124, Class SA, IO, 4.081s, 2022

3,538,618 Ser. 218, Class 2, IO, 3.491s, 2023

8,213,499 Ser. 98-66, Class SB, IO, 2.436s, 2028

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14,170,000 Ser. 94-77, Class SB, IO, 1.78s, 2024
 38,211,400 Ser. 00-T6, IO, 0.742s, 2030
 12,556,000 FFCA Secured Lending Corp. Ser. 00-1, Class X, IO,
 1.727s, 2020
 Freddie Mac
 2,528,278 Ser. 2219, Class SA, 10.49s, 2030
 899,634 Ser. 147, IO, 8s, 2023
 1,539,212 Ser. 1717, Class L, 6 1/2s, 2024
 1,914,000 Ser. 44, Class SG, IO, 3.71s, 2023
 1,575,000 GE Capital Mortgage Services, Inc. Ser. 98-11, Class 2A4,
 6 3/4s, 2028
 2,770,000 General Growth Properties Ala Moana Ser. 99-C1, Class E,
 7.822s, 2004
 General Growth Properties-Homart
 570,000 Ser. 99-C1, Class G, 8.072s, 2003
 650,000 Ser. 99-C1, Class F, 7.822s, 2003
 General Growth Properties-Ivanhoe
 695,000 Ser. 99-C1, Class G, 8.822s, 2004
 1,198,000 Ser. 99-C1, Class F, 8.072s, 2004
 Government National Mortgage Association
 3,589,255 Ser. 00-17, Class SB, 12.838s, 2026
 1,785,169 Ser. 99-38, Class SL, 12.588s, 2026
 1,945,072 Ser. 00-11, Class SA, 12.319s, 2021
 10,847,483 Ser. 99-43, Class SJ, IO, 2.118s, 2029
 1,834,197 Ser. 98-2, Class EA, Principal Only (PO), zero %, 2028
 1,470,421 Ser. 99-42, PO, zero %, 2027
 7,365,000 Holmes Financing PLC Ser. 1, Class 2C, 6.789s, 2040
 Merrill Lynch Mortgage Investors, Inc.
 1,615,000 Ser. 1995-C3, Class D, 7.791s, 2025
 1,495,000 Ser. 96-C2, Class E, 6.96s, 2028
 1,610,000 Ser. 98-C2, Class F, 6 1/4s, 2030
 22,330,016 Ser. 96-C2, IO, 1.729s, 2028
 2,424,521 Ser. 98-C2, IO, 1.564s, 2030
 10,182,249 Mortgage Capital Funding, Inc. Ser. 97-MC2, Class X, IO,
 1.364s, 2012
 261,876 Prudential Home Mortgage Securities Ser. 93-57, Class A4,
 5.9s, 2023
 1,700,000 Residential Mortgage Securities Ser. 8, Class M, 6.879s, 2038
 1,328,604 Rural Housing Trust Ser. 87-1, Class D, 6.33s, 2026
 3,495,000 Starwood Asset Receivables Trust Ser. 00-1, Class E,
 8.464s, 2005

 Total Collateralized Mortgage Obligations
 (cost \$104,488,458)

BRADY BONDS (4.2%) (a)
 PRINCIPAL AMOUNT

\$ 10,670,400 Argentina (Republic of) debs. FRB 7 5/8s, 2005
 3,620,000 Argentina (Republic of) govt. guaranty 6s, 2023
 21,039,872 Brazil (Federal Republic of) bonds 8s, 2014 (POR)
 1,220,000 Brazil (Federal Republic of) govt. guaranty Ser. 18YR, FRN,
 7 11/16s, 2012
 1,730,000 Bulgaria (Government of) Ser. A, FRB, 7.063s, 2024
 510,000 Bulgaria (Government of) deb. Ser. PDI, FRB, 7.063s, 2011
 4,170,000 Bulgaria (Government of) Ser. A, FLIRB, 2 3/4s, 2012
 720,000 Peru (Republic of) bonds Ser. PDI, FRB, 4s, 2017
 4,240,000 United Mexican States bonds Ser. W, 6 1/4s, 2019
 2,499,975 Venezuela (Republic of) deb. Ser. DL, FRB, 7s, 2007

Total Brady Bonds (cost \$38,947,886)

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PREFERRED STOCKS (2.6%) (a)
NUMBER OF SHARES

34,980 AmeriKing, Inc. \$3.25 cum. pfd. (PIK)
 538 Benedek Communications Corp. 11.50% pfd. (PIK)
 80,020 Brand Scaffold, Inc. \$3.63 cum. pfd.
 3,210 CGA Group, Ltd. 144A Ser. A, 13.75% pfd. (PIK)
 39,625 Chevy Chase Capital Corp. Ser. A, \$5.19 pfd. (PIK)
 3,805 Chevy Chase Savings Bank, Inc. \$3.25 pfd.
 10,599 Citadel Broadcasting, Inc. 144A \$13.25 cum. pfd. (PIK)
 340,000 CSBI Capital Trust I 144A company guaranty 11.75% pfd.
 28,137 CSC Holdings, Inc. Ser. M, \$11.13 cum. pfd. (PIK)
 69,460 Diva Systems Corp. Ser. C, \$6.00 pfd.
 20,000 Doane Products Co. \$7.12 pfd.
 2,510 Dobson Communications Corp. 13.00% pfd.
 540 First Republic 144A 10.50% pfd.
 570 Fresenius Medical Capital Trust II 7.875% pfd. (Germany)
 74,000 Golden State Bancorp Ser. A, \$2.28 pfd.
 1,469 Granite Broadcasting Corp. 144A 12.75% pfd. (PIK)
 1,598 ICG Holdings, Inc. 14.25% pfd. (Canada) (In default) (NON)
 815 ICG Holdings, Inc. 144A 14.00% pfd. (Canada) (In default) (PIK)
 1,339 Intermedia Communications, Inc. Ser. B, 13.50% pfd. (PIK)
 1,700 Nextel Communications, Inc. Ser. D, 13.00% cum. pfd. (PIK)
 495 Nextel Communications, Inc. Ser. E, \$11.125 pfd. (PIK)
 271 Paxson Communications Corp. 13.25% cum. pfd. (PIK)
 150 Pegasus Communications Corp. Ser. A, 12.75% cum. pfd.
 1,346 Rural Cellular Corp. 12.25% pfd. (PIK)
 31,920 XO Communications, Inc. \$7.00 cum. pfd. (PIK)
 818 XO Communications, Inc. Ser. E, 13.50% pfd.

Total Preferred Stocks (cost \$30,290,211)

ASSET-BACKED SECURITIES (1.5%) (a)
PRINCIPAL AMOUNT

Conseco Finance Securitization

\$ 10,075,000 Ser. 00-4, Class A6, 8.31s, 2032
 1,535,000 Ser. 00-6, Class M2, 8.2s, 2032
 2,961,221 First Plus 144A Ser. 98-A, Class A, 8 1/2s, 2023

Total Asset-Backed Securities (cost \$14,555,527)

CONVERTIBLE BONDS AND NOTES (0.6%) (a)
PRINCIPAL AMOUNT

\$ 550,000 Amkor Technologies, Inc. cv. sub. notes 5s, 2007
 3,080,000 Cybernet Internet Services Intl., Inc. 144A cv. sr. disc. notes
 stepped-coupon zero % (13s, 8/15/04), 2009 (STP)
 370,000 Davita, Inc. sub. notes 7s, 2009
 2,600,000 Exide Corp. 144A cv. sr. sub. notes 2.9s, 2005
 800,000 Healthsouth Corp. cv. sub. deb. 3 1/4s, 2003
 400,000 Hexcel Corp. cv. sub. notes 7s, 2003
 1,000,000 Micron Technology, Inc. cv. 6 1/2s, 2005
 1,340,000 Telewest Finance Corp. cv. sub. notes 6s, 2005
 (United Kingdom)

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Total Convertible Bonds and Notes (cost \$6,710,602)

COMMON STOCKS (0.4%) (a)

NUMBER OF SHARES

44,790	360Networks, Inc. 144A (Canada)	
525	AmeriKing, Inc. (NON)	
45,677	Arch Wireless, Inc. (NON)	
19,925	Aurora Foods, Inc. (NON)	
277,865	Celcaribe S.A. (NON)	
2,830	MGC Communications, Inc. (NON)	
250	Paging Do Brazil Holdings Co., LLC 144A Class B (Brazil) (NON)	
1,186	Premium Holdings 144A	
2,502	PSF Holdings LLC Class A (NON)	
124	RSL Communications, Ltd. Class A (NON)	
39	Safety Components International, Inc. (NON)	
19,650	Spanish Broadcasting System, Inc. 144A (NON)	
36,750	Specialty Foods Acquisition Corp. (NON)	
2,169	Vast Solutions, Inc. Class B1 (NON)	
2,169	Vast Solutions, Inc. Class B2 (NON)	
2,169	Vast Solutions, Inc. Class B3 (NON)	
74	Waste Management, Inc.	
Total Common Stocks (cost \$9,775,655)		

UNITS (0.2%) (a)

NUMBER OF UNITS

1,520,000	Horizon PCS., Inc. 144A units stepped-coupon zero % (14s, 10/1/05), 2010 (STP)	
1,270,000	iPCS, Inc. units stepped-coupon zero % (14s, 7/15/05), 2010 (STP)	
820,000	IWO Holdings, Inc. 144A units 14s, 2011	
960,000	XCL, Ltd. 144A units 13 1/2s, 2004 (In default) (NON)	
Total Units (cost \$3,296,983)		

WARRANTS (0.2%) (a) (NON)

NUMBER OF WARRANTS

EXPIRATION
DATE

	16 Anker Coal Group, Inc. 144A	10/28/0
1,600	Asia Plup & Paper Co., Ltd. 144A	3/15/05
810	Bestel S.A. de C.V. (Mexico)	5/15/05
780	Birch Telecommunications, Inc. 144A (PIK)	6/15/08
6,652	CellNet Data Systems, Inc.	10/1/07
1,420	Dayton Superior Corp.	6/15/09
160	Decrane Aircraft Holdings	9/30/08
1,885	Delta Financial Corp.	12/21/1
2,520	Destia Communications, Inc. 144A	7/15/07
1,715	Diva Systems Corp.	5/15/06
8,326	Diva Systems Corp. 144A	3/1/08
1,090	Epic Resorts Corp.	6/15/05
1,190	Firstworld Communication Corp.	4/15/08
1,015	Globalstar Telecommunications	2/15/04
20,856	ICG Communications	10/15/0
1,900	Interact Systems, Inc.	8/1/03
1,900	Interact Systems, Inc. 144A	12/15/0

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1,140	International Wireless Communications Holdings 144A	8/15/01
20,653	Intira Corp. Class A	2/1/10
7,097	Intira Corp. Class B	2/1/10
1,600	Jostens, Inc.	5/1/10
2,175	KMC Telecommunications Holdings, Inc. 144A	4/15/08
2,185	Knology Holdings	10/22/00
1,000	Leap Wireless International, Inc. 144A	4/15/10
1,450	Maxcom Telecomunicaciones SA de CV 144A (Mexico)	4/1/07
3,590	McCaw International, Ltd.	4/15/07
	940 Mediq, Inc. 144A	6/1/09
	160 Motient 144A	4/1/08
1,080	Ntelos, Inc.	8/15/10
	990 Orbital Imaging Corp. 144A	3/1/05
1,310	Orion Network Systems	1/15/07
12,880	Pagemart, Inc. 144A	12/31/00
1,600	Paxson Communications Corp. 144A	6/30/03
	570 Pliant Corp. 144A	6/1/10
1,100	Railamerica, Inc.	8/15/10
	810 Raintree Resort Intl., Inc. 144A	12/1/04
1,640	Startec Global Communications Corp.	5/15/08
	680 Sterling Chemicals Holdings	8/15/08
	630 Telehub Communications Corp.	7/31/05
2,310	Ubiquitel, Inc. 144A	4/15/10
5,820	UIH Australia/Pacific, Inc. 144A	5/15/06
	50 Versatel Telecom N.V. (Netherlands)	5/15/08
454,880	Wright Medical Technology, Inc. 144A	6/30/03
	800 XM Satellite Radio Holdings, Inc. 144A	3/15/10
	Total Warrants (cost \$1,799,952)	

CONVERTIBLE PREFERRED STOCKS (0.1%) (a)
NUMBER OF SHARES

4,700	Global Crossing Ltd. 7.00% cv. cum. pfd.
4,750	Global Telesystems Group, Inc. 144A \$3.625 cv. pfd.
1,900	Interact Systems, Inc. 144A 14.00% cv. pfd.
6,800	LTV Corp. (The) 144A \$4.13 cv. pfd.
	62 Paxson Communications Corp. 144A 9.75% cv. pfd. (PIK)
	200 World Access, Inc. 144A Ser. D, zero % cv. pfd.
7,615	XCL, Ltd. 144A 9.50% cv. pfd. (PIK)
1,503	XCL, Ltd. 144A Ser. A, 9.50% cv. cum. pfd. (PIK)
	Total Convertible Preferred Stocks (cost \$2,932,425)

PURCHASED OPTIONS OUTSTANDING (---%)
CONTRACT AMOUNT

EXPIRATION
STRIKE PR

\$16,120,500 USD/EUR Call

Feb-01/0

SHORT-TERM INVESTMENTS (2.2%) (a) (cost \$21,487,000)
PRINCIPAL AMOUNT

\$21,487,000 Interest in \$350,000,000 joint repurchase agreement dated January 31, 2001 with Morgan (J.P.) & Co., Inc. due

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February 1, 2001 with respect to various U.S. Government obligations -- maturity value of \$21,490,432 for an effective yield of 5.75%

Total Investments (cost \$1,060,289,636) (b)

- (a) Percentages indicated are based on net assets of \$990,784,433.
- (b) The aggregate identified cost on a tax basis is \$1,064,557,686 resulting in gross unrealized appreciation and depreciation of \$34,227,374 and \$122,114,394, respectively, or net unrealized depreciation of \$87,887,020.
- (NON) Non-income-producing security.
- (STP) The interest or dividend rate and date shown parenthetically represent the new interest or dividend rate to be paid and the date the fund will begin receiving interest or dividend income at this rate.
- (PIK) Income may be received in cash or additional securities at the discretion of the issuer.
- (SEG) A portion of this security was pledged and segregated with the custodian to cover margin requirements for futures contracts at January 31, 2001.
- (FWC/WIS) When-issued securities (Note 1).

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

FLIRB represents Front Loaded Interest Reduction Bond.

The rates shown on Floating Rate Bonds (FRB) and Floating Rate Notes (FRN) are the current interest rates shown at January 31, 2001, which are subject to change based on the terms of the security.

DIVERSIFICATION BY COUNTRY

Distribution of investments by country of issue at January 31, 2001:
(as percentage of Market Value)

Argentina	2.1%
Bermuda	1.0
Brazil	2.5
Bulgaria	1.0
Canada	2.0
Caymen Islands	1.0
Germany	2.0
Italy	2.3
Mexico	2.2
New Zealand	1.0
Russia	1.3
United Kingdom	3.0
United States	73.9
Other	4.7

Total	100.0%

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Forward Currency Contracts to Buy at January 31, 2001
(aggregate face value \$172,724,546)

	Market Value	Aggregate Face Value	Delivery Date	Unrealized Appreciation/ (Depreciation)
Australian Dollar	\$17,851,042	\$18,041,460	3/21/01	\$ (190,418)
British Pounds	8,926,434	8,969,069	3/21/01	(42,635)
Canadian Dollar	8,222,503	8,018,324	3/21/01	204,179
Danish Krone	688,594	655,231	3/21/01	33,363
Euro Dollar	66,371,231	63,836,801	3/21/01	2,534,430
Japanese Yen	65,885,238	69,751,097	3/21/01	(3,865,859)
Swedish Krona	1,050,920	1,043,152	3/21/01	7,768
Swiss Franc	2,498,684	2,409,412	3/21/01	89,272

\$ (1,229,900)

Forward Currency Contracts to Sell at January 31, 2001
(aggregate face value \$139,973,160)

	Market Value	Aggregate Face Value	Delivery Date	Unrealized Appreciation/ (Depreciation)
British Pounds	\$ 7,822,804	\$ 7,762,965	3/21/01	\$ (59,839)
Canadian Dollar	3,721,855	3,661,965	3/21/01	(59,890)
Euro Dollar	72,187,849	69,270,793	3/21/01	(2,917,056)
Japanese Yen	51,595,876	54,006,815	3/21/01	2,410,939
New Zealand Dollar	5,504,324	5,270,622	3/21/01	(233,702)

\$ (859,548)

Futures Contracts Outstanding at January 31, 2001

	Total Value	Aggregate Face Value	Expiration Date	Unrealized Appreciation/ (Depreciation)
Euro 3 month (Long)	\$ 2,605,763	\$ 2,603,359	Jun-02	\$ 2,404
Euro 3 month (Long)	12,374,050	12,237,715	Sep-01	136,335
Euro 3 month (Short)	2,616,213	2,615,628	Jun-01	(585)
Euro-Euribor 3 month (Long)	1,330,819	1,329,310	Mar-01	1,509
Euro-Euribor 3 month (Long)	221,757	221,261	Sep-02	496
Euro-Euribor 3 month (Long)	222,640	221,575	Sep-01	1,065
Euro-Euribor 3 month (Long)	222,407	221,399	Jun-01	1,008
Euro-Euribor 3 month (Long)	222,268	221,517	Mar-02	751
Euro-Euribor 3 month (Long)	221,977	221,389	Jun-02	588
Euro-Euribor 3 month (Short)	1,107,040	1,104,463	Dec-02	(2,577)
Euro-Euribor 3 month (Short)	442,886	441,925	Mar-03	(961)
Euro-Schatz 2 Yr (Long)	4,492,375	4,472,468	Jun-01	19,907
Euro-Schatz 2 Yr (Short)	5,349,493	5,322,712	Mar-01	(26,781)

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GBP Libor				
3 month (Long)	1,380,362	1,377,288	Mar-02	3,074
GBP Libor				
3 month (Short)	1,379,924	1,375,547	Mar-01	(4,377)
Gilt (Short)	1,690,323	1,662,384	Mar-01	(27,939)
JGB 10 Yr (Long)	25,079,948	24,424,748	Mar-01	655,200
US Treasury Bond				
20 Yr (Long)	1,144,688	1,139,922	Mar-01	4,766
US Treasury Bond				
20 Yr (Long)	4,058,438	3,934,128	Mar-01	124,310
US Treasury Bond				
20 Yr (Short)	3,954,375	3,848,645	Mar-01	(105,730)
US Treasury Note				
10 Yr (Long)	36,721,344	36,464,160	Mar-01	257,184
US Treasury Note				
5 Yr (Long)	52,359,156	51,317,193	Mar-01	1,041,963
US Treasury Note				
5 Yr (Short)	6,766,094	6,663,407	Mar-01	(102,687)
				\$1,978,923

Swap Contracts outstanding at January 31, 2001

	Notional Amount	Termination Date	Unrealized Appreciation
Agreement with Merrill Lynch International & Co. CV dated November 17, 2000, to pay semiannually the notional amount multiplied by the Libor-BBA and receive the notional amount multiplied by 6.7506%.	\$9,000,000	Nov-05	\$402,241

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

STATEMENT OF ASSETS AND LIABILITIES
January 31, 2001 (Unaudited)

Assets

Investments in securities, at value (identified cost \$1,060,289,636) (Note 1)	\$ 976,670,666
Cash	1,595,518
Foreign currency (cost \$526,753)	538,041
Dividends, interest and other receivables	21,285,845

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Receivable for securities sold	14,158,800
Receivable for open forward currency contracts	5,321,452
Receivable for closed forward currency contracts	1,227,787
Receivable for open swap contracts	402,241
Receivable for variation margin	192,130
Total assets	1,021,392,480
Liabilities	
Distributions payable to shareholders	7,462,684
Payable for securities purchased	12,520,468
Payable for compensation of Manager (Note 2)	1,666,743
Payable for investor servicing and custodian fees (Note 2)	153,168
Payable for compensation of Trustees (Note 2)	37,671
Payable for administrative services (Note 2)	3,252
Payable for open forward currency contracts	7,410,900
Payable for closed forward currency contracts	1,290,687
Other accrued expenses	62,474
Total liabilities	30,608,047
Net assets	\$ 990,784,433
Represented by	
Paid-in capital (Notes 1 and 4)	\$1,220,796,521
Distributions in excess of net investment income (Note 1)	(18,738,956)
Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(127,918,083)
Net unrealized depreciation of investments and assets and liabilities in foreign currencies	(83,355,049)
Total -- Representing net assets applicable to capital shares outstanding	\$ 990,784,433
Computation of net asset value	
Net asset value per share (\$990,784,433 divided by 140,989,259 shares)	\$7.03

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

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STATEMENT OF OPERATIONS

Six months ended January 31, 2001 (Unaudited)

Investment income:

Interest income	\$46,820,891
Dividends	1,588,323
Total investment income	48,409,214

Expenses:

Compensation of Manager (Note 2)	3,476,351
Investor servicing and custodian fees (Note 2)	457,566
Compensation of Trustees (Note 2)	17,114
Administrative services (Note 2)	4,326
Other	124,968
Total expenses	4,080,325
Expense reduction (Note 2)	(28,372)
Net expenses	4,051,953
Net investment income	44,357,261
Net realized loss on investments (Notes 1 and 3)	(17,563,568)
Net realized loss on futures contracts (Note 1)	(113,085)
Net realized loss on foreign currency transactions (Note 1)	(5,261,364)
Net realized gain on swap contracts (Note 1)	379,130
Net unrealized depreciation of assets and liabilities in foreign currencies during the period	(326,176)
Net unrealized appreciation of investments, futures contracts and swap contracts during the period	659,052
Net loss on investments	(22,226,011)
Net increase in net assets resulting from operations	\$22,131,250

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

STATEMENT OF CHANGES IN NET ASSETS

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	Six months ended January 31 2001*	Year ended July 31 2000
Decrease in net assets		
Operations:		
Net investment income	\$ 44,357,261	\$ 88,222,411
Net realized loss on investments and foreign currency transactions	(22,558,887)	(31,547,911)
Net unrealized appreciation (depreciation) of investments and assets and liabilities in foreign currencies	332,876	(22,566,531)
Net increase in net assets resulting from operations	22,131,250	34,107,970
Distributions to shareholders:		
From net investment income	(44,833,560)	(91,636,911)
In excess of net investment income	--	(2,963,811)
Total decrease in net assets	(22,702,310)	(60,492,761)
Net assets		
Beginning of period	1,013,486,743	1,073,979,500
End of period (including distributions in excess of net investment income of \$18,738,956 and \$18,262,657, respectively)	\$990,784,433	\$1,013,486,743
Number of fund shares		
Shares outstanding at beginning and end of period	140,989,259	140,989,259

*Unaudited

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

FINANCIAL HIGHLIGHTS

(For a share outstanding throughout the period)

Per-share operating performance	Six months ended January 31 (Unaudited)		Year ended July 31		
	2001	2000	1999	1998	1997

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Net asset value, beginning of period	\$7.19	\$7.62	\$8.71	\$8.88	\$8.53
Investment operations					
Net investment income	.31	.63	.64	.74	.65
Net realized and unrealized gain (loss) on investments	(.15)	(.39)	(.99)	(.18)	.38
Total from investment operations	.16	.24	(.35)	.56	1.03
Less distributions:					
From net investment income	(.32)	(.65)	(.62)	(.66)	(.65)
In excess of net investment income	--	(.02)	--	--	(.03)
From net realized gain	--	--	(.12)	(.07)	--
Total distributions	(.32)	(.67)	(.74)	(.73)	(.68)
Net asset value, end of period	\$7.03	\$7.19	\$7.62	\$8.71	\$8.88
Total return at market value (%) (a)	8.99*	(1.51)	(7.24)	8.06	26.24
Ratios and supplemental data					
Market value, end of period	\$6.61	\$6.38	\$7.19	\$8.50	\$8.56
Net assets, end of period (in thousands)	\$990,784	\$1,013,487	\$1,073,980	\$1,221,188	\$1,245,444
Ratio of expenses to average net assets (%) (b)	.42*	.83	.86	.89	.83
Ratio of net investment income to average net assets (%)	4.51*	8.48	8.05	8.34	7.42
Portfolio turnover (%)	158.30*	133.80	165.79	209.50	262.01

* Not annualized.

(a) Total return assumes dividend reinvestment.

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

NOTES TO FINANCIAL STATEMENTS
January 31, 2001 (Unaudited)

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Note 1

Significant accounting policies

Putnam Premier Income 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 high current income consistent with the preservation of capital by allocating its investments among the U.S. government sector, high yield sector and international sector of the fixed income securities market.

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 generally accepted accounting principles and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities of 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.

A) Security valuation Investments for which market quotations are readily available are stated at market value, which is determined using the last reported sales price on its principal exchange, or if no sales are reported -- as in the case of some securities traded over-the-counter -- the last reported bid price. Securities quoted in foreign currencies are translated into U.S. dollars at the current exchange rate. Short-term investments having remaining maturities of 60 days or less are stated at amortized cost, which approximates market value. Other investments, including restricted securities, are stated at fair value following procedures approved by the Trustees. Market quotations are not considered to be readily available for certain debt obligations; such investments are stated at fair value on the basis of valuations furnished by an independent pricing service or dealers, approved by the Trustees, which determine valuations for normal institutional-size trading units of such securities using methods based on market transactions for comparable securities and variable relationships between securities that are generally recognized by institutional traders.

B) Joint trading account Pursuant to an exemptive order issued by the Securities and Exchange Commission, the fund may transfer uninvested cash balances into a joint trading account along with the cash of other registered investment companies and certain other accounts managed by Putnam Investment Management, LLC. ("Putnam Management"), the fund's manager, a wholly-owned subsidiary of Putnam Investments, LLC. These balances may be invested in one or more repurchase agreements and/or short-term money market instruments.

C) Repurchase agreements The fund, or any joint trading account, through its custodian, receives delivery of the underlying securities, the market value of which at the time of purchase is required to be in an amount at least equal to the resale price, including accrued interest. Collateral for certain tri-party repurchase agreements is held at the counterparty's custodian in a segregated account for the benefit of the fund and the counterparty. Putnam Management is responsible for determining that the value of these underlying securities is at all times at least equal to the resale price, including accrued interest.

D) Security transactions and related investment income Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Gains or losses on securities sold are determined on the identified cost basis.

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Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date, except that certain dividends from foreign securities are recorded as soon as the fund is informed of the ex-dividend date. Non-cash dividends, if any, are recorded at the fair market value of the securities received. Any premium resulting from the purchase of corporate bonds is amortized on a yield-to-maturity basis. Discounts on zero coupon bonds, original issue discount bonds, stepped-coupon bonds and payment in kind bonds are accreted according to the yield-to-maturity basis.

Securities purchased or sold on a forward commitment basis may be settled a month or more after the trade date; interest income is accrued based on the terms of the security. Losses may arise due to changes in the market value of the underlying securities or if the counterparty does not perform under the contract.

E) Foreign currency translation The accounting records of the fund are maintained in U.S. dollars. The market value of foreign securities, currency holdings, and other assets and liabilities are recorded in the books and records of the fund after translation to U.S. dollars based on the exchange rates on that day. The cost of each security is determined using historical exchange rates. Income and withholding taxes are translated at prevailing exchange rates when accrued or incurred. The fund does not isolate that portion of realized or unrealized gains or losses resulting from changes in the foreign exchange rate on investments from fluctuations arising from changes in the market prices of the securities. Such gains and losses are included with the net realized and unrealized gain or loss on investments. Net realized gains and losses on foreign currency transactions represent net realized exchange gains or losses on closed forward currency contracts, disposition of foreign currencies and the difference between the amount of investment income and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized appreciation and depreciation of assets and liabilities in foreign currencies arise from changes in the value of open forward currency contracts and assets and liabilities other than investments at the period end, resulting from changes in the exchange rate. Investments in foreign securities involve certain risks, including those related to economic instability, unfavorable political developments, and currency fluctuations, not present with domestic investments.

F) Forward currency contracts The fund may engage in forward currency contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These contracts are used to protect against a decline in value relative to the U.S. dollar of the currencies in which its portfolio securities are denominated or quoted (or an increase in the value of a currency in which securities a fund intends to buy are denominated, when a fund holds cash reserves and short-term investments). The U.S. dollar value of forward currency contracts is determined using current forward currency exchange rates supplied by a quotation service. The market value of the contract will fluctuate with changes in currency exchange rates. The contract is "marked to market" daily and the change in market value is recorded as an unrealized gain or loss. When the contract is closed, the fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The fund could be exposed to risk if the value of the currency changes unfavorably, if the counterparties to the contracts are unable to meet the terms of their contracts or if the fund is unable to enter into a closing position.

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G) Futures and options contracts The fund may use futures and options contracts to hedge against changes in the values of securities the fund owns or expects to purchase. The fund may also write options on securities it owns or in which it may invest to increase its current returns.

The potential risk to the fund is that the change in value of futures and options contracts may not correspond to the change in value of the hedged instruments. In addition, losses may arise from changes in the value of the underlying instruments, if there is an illiquid secondary market for the contracts, or if the counterparty to the contract is unable to perform. When the contract is closed, the fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. Realized gains and losses on purchased options are included in realized gains and losses on investment securities.

Futures contracts are valued at the quoted daily settlement prices established by the exchange on which they trade. Exchange traded options are valued at the last sale price, or if no sales are reported, the last bid price for purchased options and the last ask price for written options. Options traded over-the-counter are valued using prices supplied by dealers.

H) TBA purchase commitments The fund may enter into "TBA" (to be announced) purchase commitments to purchase securities for a fixed unit price at a future date beyond customary settlement time. Although the unit price has been established, the principal value has not been finalized. However, the amount of the commitments will not fluctuate more than .01% from the principal amount. The fund holds, and maintains until settlement date, cash or high-grade debt obligations in an amount sufficient to meet the purchase price, or the fund may enter into offsetting contracts for the forward sale of other securities it owns. Income on the securities will not be earned until settlement date. TBA purchase commitments may be considered securities in themselves, and involve a risk of loss if the value of the security to be purchased declines prior to the settlement date, which risk is in addition to the risk of decline in the value of the fund's other assets. Unsettled TBA purchase commitments are valued at the current market value of the underlying securities, according to the procedures described under "Security valuation" above.

Although the fund will generally enter into TBA purchase commitments with the intention of acquiring securities for their portfolio or for delivery pursuant to options contracts it has entered into, the fund may dispose of a commitment prior to settlement if Putnam Management deems it appropriate to do so.

I) Interest rate swap contracts The fund may engage in interest rate swap agreements, which are arrangements between two parties to exchange cash flows based on a notional principal amount. The fund may enter into interest rate swap agreements, to manage the funds exposure to interest rates. Interest rate swaps are marked to market daily based upon quotations from market makers and the change, if any, is recorded as unrealized gain or loss. Payments made or received are included as part of interest income. Payments received or made upon early termination are recorded as realized gain or loss. The fund could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or that the counterparty may default on its obligation to perform.

J) Federal taxes It is the policy of the fund to distribute all of its

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taxable income within the prescribed time and otherwise comply with the provisions of the Internal Revenue 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 Internal Revenue Code of 1986, as amended. Therefore, no provision has been made for federal taxes on income, capital gains or unrealized appreciation on securities held nor for excise tax on income and capital gains.

At July 31, 2000, the fund had a capital loss carryover of approximately \$84,751,000 available to offset future capital gains, if any. The amount of the carryover and the expiration dates are:

Loss Carryover	Expiration
-----	-----
\$39,893,000	July 31, 2007
44,858,000	July 31, 2008

K) Distributions to shareholders Distributions to shareholders from net investment income are recorded by the fund on the ex-dividend date. Capital gain distributions, if any, are recorded on the ex-dividend date and paid at least annually. 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. 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.

Note 2

Management fee, administrative services and other transactions

Compensation of Putnam Management, for management and investment advisory services is paid quarterly based on the average net assets of the fund. Such fee is based on the following annual rates: 0.75% of the first \$500 million of average weekly net assets of the fund, 0.65% of the next \$500 million, 0.60% of the next \$500 million and 0.55% thereafter.

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 Putnam Fiduciary Trust Company (PFTC), a subsidiary of Putnam Investments, LLC. Investor servicing agent functions are provided by Putnam Investor Services, a division of PFTC.

The fund has entered into an arrangement with PFTC whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the fund's expenses. The fund also reduced expenses through brokerage service arrangements. For the six months ended January 31, 2001 the fund's expenses were reduced by \$28,372 under these arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$1,035 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.

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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. Benefits under the Pension Plan are equal to 50% of the Trustee's average total retainer and meeting fees for the three years preceding retirement. Pension expense for the fund is included in Compensation of Trustees in the Statement of operations. Accrued pension liability is included in Payable for compensation of Trustees in the Statement of assets and liabilities.

Note 3

Purchases and sales of securities

During the six months ended January 31, 2001, cost of purchases and proceeds from sales of investment securities other than U.S. government obligations and short-term investments aggregated \$1,020,542,897 and \$715,040,607, respectively. Purchases and sales of U.S. government obligations aggregated \$439,784,125 and \$721,321,825, respectively.

Note 4

Share repurchase program

The Trustees authorized the fund to repurchase up to 7,000,000 of its shares in the open market. Repurchases will only be made when the fund's shares are trading at less than net asset value and at such times and amounts as is believed to be in the best interest of the fund's shareholders. Any repurchases of shares will have the effect of increasing the net asset value per share of remaining shares outstanding. For the six months ended January 31, 2001, the fund did not repurchase any shares. As of January 31, 2001, 511,000 shares have been repurchased since the inception of the program.

Note 5

New accounting pronouncement

In November 2000, the AICPA issued a revised Audit and Accounting Guide, Audits of Investment Companies, which is effective for fiscal years beginning after December 15, 2000. The revised Guide will require the fund to amortize premium and accrete discount on all fixed-income securities, and classify as interest income gains and losses realized on paydowns on mortgage-backed securities which are presently included in realized gain/loss. Adopting these accounting principles will not affect the fund's net asset value, but will change the classification of certain amounts between interest income and realized and unrealized gain/loss in the Statement of operations. The fund has not yet quantified the impact, if any, resulting from the adoption of this principle on the financial statements.

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FUND INFORMATION

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