PUTNAM MANAGED MUNICIPAL INCOME TRUST
Form N-CSR
December 29, 2005

Item 1. Report to Stockholders:

The following is a copy of the report transmitted to stockholders pursuant
to Rule 30e-1 under the Investment Company Act of 1940:

What makes Putnam different?

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

THE PRUDENT MAN RULE

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

A time-honored tradition in money management

Since 1937, our values have been rooted in a profound sense of responsibility for the money entrusted to us.

A prudent approach to investing

We use a research-driven team approach to seek consistent, dependable, superior investment results over time, although there is no guarantee a fund will meet its objectives.

Funds for every investment goal

We offer a broad range of mutual funds and other financial products so investors and their advisors can build diversified portfolios.

A commitment to doing what's right for investors

We have stringent investor protections and provide a wealth of information about the Putnam funds.

Industry-leading service

We help investors, along with their financial advisors, make informed investment decisions with confidence.

Putnam Managed Municipal Income Trust

10|31|05

Annual Report

Cover photograph: © Richard H. Johnson

Message from the Trustees

Dear Fellow Shareholder

During the period that ended October 31, 2005, domestic stocks advanced at a pace reflecting their long-term average returns, while bonds registered sub-par results. Outside the United States, most markets showed more impressive gains. Although U.S. economic growth proceeded at a steady pace, new concerns emerged. High energy prices, the Federal Reserve Board's program of interest-rate increases, and the impact of the unusually active 2005 hurricane season proved challenging to consumers and sparked brief bouts of volatility in finan-cial markets. Putnam Management believes that energy prices, interest rates, and the aftereffects of this year's storms are likely to continue to shape investment opportunities and risks in the months to come.

Amid the uncertainties of this environment, the professional research, diversification, and active management that mutual funds provide continue to make them an intelligent choice for investors. We want you to know that Putnam Investments management team, under the leadership of Chief Executive Officer Ed Haldeman, continues to focus on investment performance and remains committed to putting the interests of shareholders first. In keeping with these goals, we have redesigned and expanded our shareholder reports to make it easier for you to learn more about your fund. Furthermore, on page 19 we provide information about the 2005 approval by the Trustees of your fund s management contract with Putnam.

We would also like to take this opportunity to announce the retirement of one of your fund s Trustees, Ronald J. Jackson, who has been an independent Trustee of the Putnam funds since 1996. We thank him for his service.

In the following pages, members of your fund s management team discuss the fund s performance and strategies, and their outlook for the months ahead. As always, we thank you for your support of the Putnam funds.

Putnam Managed Municipal Income Trust: potential for income exempt from federal income tax

Municipal bonds finance important public projects such as schools, roads, and hospitals, and help investors keep more of their income. Putnam Managed Municipal Income Trust offers an additional advantage -- the flexibility to invest in municipal bonds issued by any state in the country.

Municipal bonds are issued by states and local municipalities to raise funds for building and maintaining public facilities. The income from a municipal bond is generally exempt from federal income tax. The bonds are backed by either the issuing city or town or by revenues collected from usage fees, and have varying degrees of credit risk -- the risk that the issuer won t be able to repay the bond.

The fund s management team can select bonds from a variety of state and local governments throughout the United States. The fund also combines bonds of differing credit quality to increase income potential. In addition to investing in high-quality bonds, the team allocates a portion of the portfolio to lower-rated bonds, which may offer higher income in return for more risk. When deciding whether to invest in a bond, the team considers factors such as credit risk, interest-rate risk, and the risk that the bond will be prepaid. Once a bond has been purchased, the team continues to monitor developments that affect the bond market, the sector, and the issuer of the bond. Typically, lower-rated bonds are reviewed more often because of their greater potential risk.

The fund s management team is backed by Putnam s fixed-income organization, one of the largest in the investment industry. Putnam s municipal bond analysts are grouped into sector teams and conduct ongoing research. Their expertise in highly complex markets is a distinct advantage over smaller firms.

The goal of the management team s research and active management is to stay a step ahead

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

of the industry and pinpoint opportunities to adjust the fund's holdings -- either by acquiring more of a particular bond or selling it -- for the benefit of the fund and its shareholders.

Lower-rated bonds may offer higher yields in return for more risk. Capital gains, if any, are taxable for federal and, in most cases, state purposes. For some investors, investment income may be subject to the federal alternative minimum tax. Income from federally exempt funds may be subject to state and local taxes. Mutual funds that invest in bonds are subject to certain risks, including interest-rate risk, credit risk, and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. The fund uses leverage, which involves risk and may increase the volatility of the fund's NAV.

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

More assets at work Open-end funds must maintain a cash position to meet redemptions. Closed-end funds need not do so and can keep more of their assets invested in the market.

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

Market price vs. net asset value
Like an open-end fund's net asset value (NAV) per share, the NAV of a closed-end fund share equals the current value of the fund's assets, minus its liabilities, divided by the number of shares outstanding. When buying or selling closed-end fund shares, you pay or receive the *market price,* which may be higher or lower than the NAV.

Strategies for higher income Closed-end funds have greater flexibility to use strategies such as "leverage" -- for example, issuing preferred shares to raise capital, then seeking to invest it at higher rates to enhance income for common shareholders.

Putnam Managed Municipal Income Trust is a leveraged fund that seeks to provide a high level of current income free from federal income tax through investments in investment-grade and higher-yielding, lower-rated municipal bonds. The fund is designed for investors seeking tax-exempt income and who are willing to accept the risks associated with below-investment-grade bonds and the use of leverage.

Highlights

- For the 12 months ended October 31, 2005, Putnam Managed Municipal Income Trust returned 6.51% at net asset value (NAV) and 4.21% at market price.
- The fund's benchmark, the Lehman Municipal Bond Index, returned 2.54%.
- The average return for the fund's Lipper category, High Yield Municipal Debt Funds (closed-end), was 8.20%.
- The fund's dividend was reduced to $0.0381 per share in January 2005 and again to $0.0341 in June 2005. See page 11 for more information.
- Additional fund performance, comparative performance, and Lipper data can be found in the performance section beginning on page 13.

Performance

It is important to note that a fund's performance at market price may differ from its results at NAV. Although market price performance generally reflects investment results, it may also be influenced by several other factors, including changes in investor perceptions of the fund or its investment advisor, market conditions, fluctuations in supply and demand for the fund's shares, and changes in fund distributions.

Total return for periods ended 10/31/05

Since the fund's inception (2/24/89), average annual return is 6.99% at NAV and 5.65% at market price.

	Average annual return		Cumulative return	
	NAV	Market price	NAV	Market price
10 years	5.23%	3.25%	66.46%	37.70%
5 years	6.44	0.88	36.65	4.48
1 year	6.51	4.21	6.51	4.21

Data is historical. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return, net asset value, and market price will fluctuate, and you may have a gain or a loss when you sell your shares. Performance assumes reinvestment of distributions and does not account for taxes.

6

Report from the fund managers

The year in review

During its fiscal year ended October 31, 2005, Putnam Managed Municipal Income Trust outperformed its benchmark, the Lehman Municipal Bond Index, based on results at net asset value (NAV). While your fund invests in both investment-grade and lower-rated municipal bonds, the index is composed only of investment-grade bonds. During the period, lower-rated, higher-yielding bonds performed well due to strong demand fueled by relatively low interest rates and an improving economy. The fund's outperformance of the benchmark was due primarily to our overweighting of these bonds. Our use of leverage, which amplifies performance results, was also a contributing factor. Nevertheless, the fund underperformed the average return of funds in its Lipper peer group. We believe this is because it carried a heavier weighting in higher-quality bonds than its competitors, which were also better positioned to take advantage of changes in the yield curve.

Market overview

Signs of solid economic growth, and the desire to curb the potential inflation that often accompanies growth, prompted the Federal Reserve Board (the Fed) to increase short-term interest rates eight times in 0.25% increments during the fund's fiscal year. As a result, the federal funds rate rose from 1.75% at the beginning of the year to 3.75% by year-end. Yields rose across all maturities during the period and the yield curve flattened as shorter-term rates rose more than those of longer-term bonds. The yield curve is a graphical representation of bond yields with the same quality plotted from the shortest to the longest maturity.

An improving economy and rising corporate earnings contributed to the strong performance of lower-rated bonds. Among uninsured bonds in general and especially bonds rated Baa and below, yield spreads tightened and prices rose as a result of strong interest among both traditional and nontraditional buyers in search of higher yields. Based on continued favorable legal rulings, yields on tobacco settlement bonds declined overall for the year, and their prices

rose accordingly. Airline-related industrial development bonds (IDBs) exhibited a high level of volatility and, while the sector outperformed overall, ended the year on weakness as both Northwest and Delta filed for bankruptcy in September 2005. No single state performed notably better than the other states. Callable bonds (which can be redeemed by their issuers before maturity) outperformed non-callable bonds, as investors generally expect that bonds priced to reflect their potential call date will be less sensitive to interest-rate increases.

Strategy overview

Given our expectation of rising interest rates, we maintained a short (defensive) duration position for your portfolio. Duration is a measure of a fund's sensitivity to changes in interest rates. Having a shorter-duration portfolio may help protect principal when interest rates are rising, but it can reduce the fund's potential for appreciation when rates fall. Your fund benefited from its defensive duration strategy.

During the period, we took steps to better position the portfolio for a flat-tening yield curve. However, the degree of flattening exceeded our efforts to mitigate its impact, resulting in a net negative contribution to relative results from the fund's yield curve position.

The fund's underweight to lower-rated bonds, as compared to other funds in its peer group, detracted from results as

Market sector performance

These indexes provide an overview of performance in different market sectors for the 12 months ended 10/31/05.

Bonds	
Lehman Municipal Bond Index (tax-exempt bonds)	2.54%
Lehman Government Bond Index (U.S. Treasury and agency securities)	0.94%
Lehman Intermediate Treasury Bond Index (intermediate-maturity U.S. Treasury bonds)	0.00%
Lehman Aggregate Bond Index (broad bond market)	1.13%
Equities	
S&P 500 Index (broad stock market)	8.72%
S&P Utilities Index (utilities stocks)	23.86%
Russell 2000 Growth Index (small-company growth stocks)	10.91%

securities in this area of the credit spectrum rallied. Although we had sought to increase the funds exposure to this market segment, we found fewer opportunities among lower-rated credits that met our purchase requirements. An overweight to tobacco settlement bonds relative to the funds peer group contributed to results as this sector outperformed. The funds relative underweight to airline-related IDBs modestly detracted from results as this sector outperformed for the fiscal year amid high volatility.

Your funds holdings

During its fiscal year, your fund bene-fited from the pre-refunding of several bond holdings. Through pre-refunding, an issuer brings new bonds to market at current lower interest rates to refinance an older, higher-coupon bond. The issuer then invests the money in a secure investment, typically U.S. Treasury securities, which mature at the older bonds first call date, when proceeds are used to pay off the older bonds. The added security that this approach provides is often seen as a credit upgrade by the market, and can increase the price investors are willing to pay for the old bonds. For example, in July, bonds issued by the **Arkansas State Hospital Development Financial Authority for Washington Regional Medical Center** in Fayetteville, Arkansas, were pre-refunded. Their original maturity date (when issued)

Comparison of the funds maturity and duration

Average effective maturity also takes into account put and call features, where applicable, and reflects prepayments for mortgage-backed securities.

was 2029, and they were pre-refunded to 2010, resulting in a credit-rating upgrade.

Our focus on **tobacco settlement bonds** helped your funds performance during its fiscal year. These bonds coupon payments are secured by income from the settlement obligations of tobacco companies to states and municipalities. A separate lawsuit brought in 1999 by the U.S. Department of Justice (DOJ) against the major tobacco companies -- seeking billions of dollars that the DOJ insisted had been obtained fraudulently from the sale of cigarettes -- had posed a threat to this income stream. However, a ruling in February by a panel of the U.S. Court of Appeals for the District of Columbia Circuit against the federal government reassured investors by reducing the potential financial impact of the lawsuit and helping to boost demand and returns in this sector. The fund owns tobacco settlement bonds issued by several states, including **Wisconsin, New York, South Dakota, South Carolina, California, the District of Columbia**, and **Virginia**.

On the recommendation of Putnams analysts, we steered clear of industrial development bonds (IDBs) issued for Delta Airlines and Northwest Airlines. Municipalities issue IDBs, but the bonds are backed by the credit of the company or institution benefiting from the financing. Furthermore, the backing companys fiscal health typically affects the price of the bonds more than the

Credit quality overview

Credit qualities shown as a percentage of portfolio as of 10/31/05. A bond rated Baa or higher is considered investment grade. The chart reflects Moodys ratings; percentages may include bonds not rated by Moodys but considered by Putnam Management to be of comparable quality. Ratings will vary over time.

rating of the issuing municipality. We sold all of the funds IDBs issued for Delta and Northwest in 2004, before both airlines declared bankruptcy in September 2005. Although some airline-related bonds have outperformed on occasion, we have believed for some time that these bonds offer high risk and poor credit fundamentals. The fund does maintain small positions in IDBs issued for some of the financially stronger airline companies, such as **American**, **British Airways**, and **Continental**. Our weightings in airline-related bonds remain lighter than other comparable funds, a factor that restrained performance since the sector, while ending the period with some weakness, nevertheless outperformed during the period.

At times, external factors can affect a bonds performance. For example, while investors seeking attractive yields bid up the price of bonds issued for **Pocahontas Parkway**, a toll road in Virginia, we felt the bonds were at risk of default and thus sold our position. An Australian transportation company has made inquiries regarding a possible purchase of the road, however, and the bonds continued to appreciate. Not holding those bonds detracted from the funds relative performance.

Please note that the holdings discussed in this report may not have been held by the fund for the entire period discussed, are subject to review in accordance with the funds investment strategy, and may vary in the future.

Of special interest

Funds dividend reduced

Yields have declined significantly across all fixed-income sectors over the course of a prolonged bond-market rally. Additionally, several older holdings were called or matured during the period, requiring reinvestment of the assets at current lower interest rates. To reflect this reduction in earnings, the funds dividend was reduced twice during the period from $0.0417 to $0.0381 per share in January 2005, and from $0.0381 to $0.0341 in June 2005.

The outlook for your fund

The following commentary reflects anticipated developments that could affect your fund over the next six months, as well as your management teams plans for responding to them.

We expect the Fed to maintain its policy of increasing rates into 2006. We also believe that there will be more Fed tightening than is currently anticipated by the market, and that bond yields may begin to rise more quickly as other investors come to the same conclusion. In light of this, we plan to maintain the funds defensive duration and to continue to increase its exposure to callable bonds, which, in our opinion, are likely to outperform in a rising-rate cycle.

We have a positive view of the single-family housing sector and plan to add selectively to the funds positions. As the outperformance of lower-rated, higher-yielding bonds slows, we continue to reduce the funds exposure to this segment of the credit spectrum. We remain bearish on airline-related IDBs, while our view on tobacco settlement bonds is positive.

We will continue to search for the most attractive opportunities among tax-exempt securities, and work to balance the pursuit of current income with prudent risk management.

The views expressed in this report are exclusively those of Putnam Management. They are not meant as investment advice.

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

Your fund□s performance

This section shows your fund□s performance during its fiscal year, which ended October 31, 2005. In accordance with regulatory requirements, we also include performance for the most current calendar quarter-end. Performance should always be considered in light of a fund□s investment strategy. Data represents past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return, net asset value, and market price will fluctuate, and you may have a gain or a loss when you sell your shares.

Fund performance

Total return for periods ended 10/31/05

	NAV	Market price	Lehman Municipal Bond Index	Lipper High Yield Municipal Debt Funds (closed-end) category average*
Annual average Life of fund (since 2/24/89)	6.99%	5.65%	7.01%	6.07%
10 years	66.46	37.70	76.52	75.01
Annual average	5.23	3.25	5.85	5.72
5 years	36.65	4.48	33.70	38.11
Annual average	6.44	0.88	5.98	6.64
1 year	6.51	4.21	2.54	8.20

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

Index and Lipper results should be compared to fund performance at net asset value. Lipper calculations for reinvested dividends may differ from actual performance.

* *Over the 1-, 5-, and 10-year periods ended 10/31/05, there were 15, 12, and 12 funds, respectively, in this Lipper category.*

13

Fund price and distribution information

For the 12-month period ended 10/31/05

Distributions -- common shares

Number		12	
Income[1]		$0.4519	
Capital gains[2]		--	
Total		$0.4519	
Distributions -- Preferred shares	Series A (550 shares)	Series B (550 shares)	Series C (650 shares)
Income[1]	$2,267.79	$2,218.26	$2,205.29
Capital gains[2]	--	--	--
Total	$2,267.79	$2,218.26	$2,205.29
Share value (common shares)		NAV	Market Price
10/31/04		$8.18	$7.29
10/31/05		8.20	7.15
Current yield (common shares, end of period) Current dividend rate[2]		4.99%	5.72%
Taxable equivalent[3]		7.68	8.80

1 *Capital gains, if any, are taxable for federal and, in most cases, state purposes. For some investors, investment income may be subject to the federal alternative minimum tax. Income from federally exempt funds may be subject to state and local taxes.*

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

3 *Assumes maximum 35% federal tax rate for 2005. Results for investors subject to lower tax rates would not be as advantageous.*

Fund performance for most recent calendar quarter

Total return for periods ended 9/30/05

	NAV	Market price
Annual average Life of fund (since 2/24/89)	7.05%	5.96%
10 years	69.81	49.96

Annual average	5.44	4.13
5 years	38.44	15.86
Annual average	6.72	2.99
1 year	8.04	9.56

14

Your fund's management

Your fund is managed by the members of the Putnam Tax Exempt Fixed-Income Team. David Hamlin is the Portfolio Leader, and Paul Drury, Susan McCormack, and James St. John are Portfolio Members of your fund. The Portfolio Leader and Portfolio Members coordinate the team's management of the fund.

For a complete listing of the members of the Putnam Tax Exempt Fixed-Income Team, including those who are not Portfolio Leaders or Portfolio Members of your fund, visit Putnam's Individual Investor Web site at www.putnam.com.

Fund ownership by the Portfolio Leader and Portfolio Members

The table below shows how much the fund's current Portfolio Leader and Portfolio Members have invested in the fund (in dollar ranges). Information shown is as of October 31, 2005, and October 31, 2004.

	Year	$0	$1 - $10,000	$10,001 - $50,000	$50,001 - $100,000	$100,001 - $500,000	$500,001 - $1,000,000	$1,000,001 and over
David Hamlin	2005	*						
Portfolio Leader	2004	*						
Paul Drury	2005	*						
Portfolio Member	2004	*						
Susan McCormack	2005	*						
Portfolio Member	2004	*						
James St. John	2005	*						
Portfolio Member	2004	*						

15

Fund manager compensation

The total 2004 fund manager compensation that is attributable to your fund is approximately $100,000. This amount includes a portion of 2004 compensation paid by Putnam Management to the fund managers listed in this section for their portfolio management responsibilities, calculated based on the fund assets they manage taken as a percentage of the total assets they manage. The compensation amount also includes a portion of the 2004 compensation paid to the Chief Investment Officer of the team and the Group Chief Investment Officer of the fund’s broader investment category for their oversight responsibilities, calculated based on the fund assets they oversee taken as a percentage of the total assets they oversee. This amount does not include compensation of other personnel involved in research, trading, administration, systems, compliance, or fund operations; nor does it include non-compensation costs. These percentages are determined as of the fund’s fiscal period-end. For personnel who joined Putnam Management during or after 2004, the calculation reflects annualized 2004 compensation or an estimate of 2005 compensation, as applicable.

Other Putnam funds managed by the Portfolio Leader and Portfolio Members

David Hamlin is the Portfolio Leader and Paul Drury, Susan McCormack, and James St. John are Portfolio Members for Putnam’s tax-exempt funds for the following states: Arizona, California, Florida, Massachusetts, Michigan, Minnesota, New Jersey, New York, Ohio, and Pennsylvania. The same group also manages Putnam AMT-Free Insured Municipal Fund, Putnam California Investment Grade Municipal Trust, Putnam High Yield Municipal Trust, Putnam Investment Grade Municipal Trust, Putnam Municipal Bond Fund, Putnam Municipal Opportunities Trust, Putnam New York Investment Grade Municipal Trust, Putnam Tax Exempt Income Fund, Putnam Tax-Free Health Care Fund, and Putnam Tax-Free High Yield Fund.

David Hamlin, Paul Drury, Susan McCormack, and James St. John may also manage other accounts and variable trust funds advised by Putnam Management or an affiliate.

Changes in your fund’s Portfolio Leader and Portfolio Members

Your fund’s Portfolio Leader and Portfolio Members did not change during the year ended October 31, 2005.

Fund ownership by Putnam’s Executive Board

The table below shows how much the members of Putnam’s Executive Board have invested in the fund (in dollar ranges). Information shown is as of October 31, 2005, and October 31, 2004.

	Year	$0	$1 - $10,000	$10,001 - $50,000	$50,001- $100,000	$100,001 and over
Philippe Bibi	2005	*				
Chief Technology Officer	2004	*				
Joshua Brooks	2005	*				
Deputy Head of Investments	N/A					
William Connolly	2005	*				
Head of Retail Management	N/A					

Kevin Cronin	2005	*
Head of Investments	2004	*
Charles Haldeman, Jr.	2005	*
President and CEO	2004	*
Amrit Kanwal	2005	*
Chief Financial Officer	2004	*
Steven Krichmar	2005	*
Chief of Operations	2004	*
Francis McNamara, III	2005	*
General Counsel	2004	*
Richard Robie, III	2005	*
Chief Administrative Officer	2004	*
Edward Shadek	2005	*
Deputy Head of Investments	N/A	
Sandra Whiston	2005	*
Head of Institutional Management	N/A	

N/A indicates the individual was not a member of Putnam’s Executive Board as of 10/31/04.

Terms and definitions

Important terms

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

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

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

Comparative indexes

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

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

Lehman Intermediate Treasury Bond Index is an unmanaged index of U.S. Treasury securities with maturities between 1 and 10 years.

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

Russell 2000 Growth Index is an unmanaged index of those companies in the small-cap Russell 2000 Index chosen for their growth orientation.

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

S&P Utilities Index is an unmanaged index of common stock issued by utility companies.

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

Lipper is a third-party industry-ranking entity that ranks mutual funds. Lipper rankings are based on total return at net asset value and do not reflect sales charges. Funds are ranked among other funds with similar current investment styles or objectives as determined by Lipper. Lipper category averages reflect performance trends for funds within a category.

18

Trustee approval of management contract

General conclusions

The Board of Trustees of the Putnam funds oversees the management of each fund and, as required by law, determines annually whether to approve the continuance of your fund's management contract with Putnam Management. In this regard, the Board of Trustees, with the assistance of its Contract Committee consisting solely of Trustees who are not "interested persons" (as such term is defined in the Investment Company Act of 1940, as amended) of the Putnam funds (the "Independent Trustees"), requests and evaluates all information it deems reasonably necessary under the circumstances. Over the course of several months beginning in March and ending in June 2005, the Contract Committee met five times to consider the information provided by Putnam Management and other information developed with the assistance of the Board's independent counsel and independent staff. The Contract Committee reviewed and discussed key aspects of this information with all of the Independent Trustees. Upon completion of this review, the Contract Committee recommended and the Independent Trustees approved the continuance of your fund's management contract, effective July 1, 2005. This approval was based on the following conclusions:

- That the fee schedule currently in effect for your fund, subject to certain changes noted below, represents reasonable compensation in light of the nature and quality of the services being provided to the fund, the fees paid by competitive funds and the costs incurred by Putnam Management in providing such services, and

- That such fee schedule represents an appropriate sharing between fund shareholders and Putnam Management of such economies of scale as may exist in the management of the fund at current asset levels.

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

19

Model fee schedules and categories; total expenses

The Trustees review of the management fees and total expenses of the Putnam funds focused on three major themes:

* Consistency. The Trustees, working in cooperation with Putnam Management, have developed and implemented a series of model fee schedules for the Putnam funds designed to ensure that each funds management fee is consistent with the fees for similar funds in the Putnam family of funds and compares favorably with fees paid by competitive funds sponsored by other investment advisors. Under this approach, each Putnam fund is assigned to one of several fee categories based on a combination of factors, including competitive fees and perceived difficulty of management, and a common fee schedule is implemented for all funds in a given fee category. The Trustees reviewed the model fee schedule currently in effect for your fund, including fee levels and breakpoints, and the assignment of the fund to a particular fee category under this structure. (Breakpoints refer to reductions in fee rates that apply to additional assets once specified asset levels are reached.)

Since their inception, Putnams closed-end funds have generally had management fees that are higher than those of Putnams open-end funds pursuing comparable investment strategies. These differences ranged from five to 20 basis points. The Trustees have reexamined this matter and recommend that these differences be conformed to a uniform five basis points. As a result, the Trustees approved a reduction in the management fees for your fund. Under the new fee schedule, the fund pays a quarterly fee to Putnam Management at the lower of the following rates:

(a) 0.55% of the funds average net assets (including assets attributable to both common and preferred shares) or

(b) 0.65% of the first $500 million of the funds average net assets (including assets attributable to both common and preferred shares);

0.55% of the next $500 million;
0.50% of the next $500 million;
0.45% of the next $5 billion;
0.425% of the next $5 billion;
0.405% of the next $5 billion;
0.39% of the next $5 billion; and
0.38% thereafter.

The new fee schedule for your fund will result in lower management fees paid by common shareholders. The Trustees approved the new fee schedule for your fund effective as of January 1, 2006, in order to provide Putnam Management an opportunity to accommodate the impact on revenues in its budget process for the coming year.

20

- Competitiveness. The Trustees also reviewed comparative fee and expense information for competitive funds, which indicated that, in a custom peer group of competitive funds selected by Lipper Inc., your fund ranked in the 50th percentile in management fees and in the 50th percentile in total expenses as of December 31, 2004 (the first percentile being the least expensive funds and the 100th percentile being the most expensive funds). The Trustees expressed their intention to monitor this information closely to ensure that fees and expenses of the Putnam funds continue to meet evolving competitive standards.

- Economies of scale. The Trustees concluded that the fee schedule currently in effect for your fund, subject to the changes noted above, represents an appropriate sharing of economies of scale at current asset levels. Your fund currently has the benefit of breakpoints in its manage- ment fee that provide shareholders with significant economies of scale, which means that the effective management fee rate of a fund (as a percentage of fund assets) declines as a fund grows in size and crosses specified asset thresholds. The Trustees examined the existing breakpoint structure of the Putnam funds’ management fees in light of competitive industry practices. The Trustees considered various possible modifications to the Putnam Funds’ current breakpoint structure, but ultimately concluded that the current breakpoint structure continues to serve the interests of fund shareholders. Accordingly, the Trustees continue to believe that the fee schedules currently in effect for the funds, subject to the changes noted above, represent an appropriate sharing of economies of scale at current asset levels.

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

Investment performance

The quality of the investment process provided by Putnam Management represented a major factor in the Trustees’ evaluation of the quality of services provided by Putnam Management under your fund’s management contract. The Trustees were assisted in their review of the funds’ investment process and performance by the work of the Investment Oversight Committees of the Trustees, which meet on a regular monthly basis with the funds’ portfolio teams throughout the year. The Trustees concluded that Putnam Management generally provides a high-quality investment process -- as measured by the experience and skills of the individuals assigned to the management of fund portfolios, the resources made available to such personnel, and in general

the ability of Putnam Management to attract and retain high-quality personnel -- but also recognize that this does not guarantee favorable investment results for every fund in every time period. The Trustees considered the investment performance of each fund over multiple time periods and considered information comparing the fund’s performance with various benchmarks and with the performance of competitive funds. The Trustees noted the satisfactory investment performance of many Putnam funds. They also noted the disappointing investment performance of certain funds in recent years and continued to discuss with senior management of Putnam Management the factors contributing to such underperformance and actions being taken to improve performance. The Trustees recognized that, in recent years, Putnam Management has made significant changes in its investment personnel and processes and in the fund product line to address areas of underperformance. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these changes and to evaluate whether additional remedial changes are warranted.

In the case of your fund, the Trustees considered that your fund’s common share performance at net asset value (compared using tax-adjusted performance to recognize the different federal income tax treatment for capital gains distributions and exempt-interest distributions) for the one-, three- and five-year periods ended December 31, 2004 (the first percentile being the best-performing funds and the 100th percentile being the worst-performing funds):

One-year period	Three-year period	Five-year period
62nd	46th	30th

(Because of the passage of time, these performance results may differ from the performance results for more recent periods shown elsewhere in this report.)

As a general matter, the Trustees believe that cooperative efforts between the Trustees and Putnam Management represent the most effective way to address investment performance problems. The Trustees believe that investors in the Putnam funds have, in effect, placed their trust in the Putnam organization, under the oversight of the funds' Trustees, to make appropriate decisions regarding the management of the funds. Based on the responsiveness of Putnam Management in the recent past to Trustee concerns about investment performance, the Trustees believe that it is preferable to seek change within Putnam Management to address performance shortcomings. In the Trustees' view, the alternative of terminating a management contract and engaging a new investment advisor for an underperforming fund would entail significant disruptions and would not provide any greater assurance of improved investment performance.

Brokerage and soft-dollar allocations; other benefits

The Trustees considered various potential benefits that Putnam Management may receive in connection with the services it provides under the management contract with your fund. These include principally benefits related to brokerage and soft-dollar allocations, whereby a portion

of the commissions paid by a fund for brokerage is earmarked to pay for research services that may be utilized by a fund's investment advisor. The Trustees believe that soft-dollar credits and other potential benefits associated with the allocation of fund brokerage, which pertains mainly to funds investing in equity securities, represent assets of the funds that should be used for the benefit of fund shareholders. This area has been marked by significant change in recent years. In July 2003, acting upon the Contract Committee's recommendation, the Trustees directed that allocations of brokerage to reward firms that sell fund shares be discontinued no later than December 31, 2003. In addition, commencing in 2004, the allocation of brokerage commissions by Putnam Management to acquire research services from third-party service providers has been significantly reduced, and continues at a modest level only to acquire research that is customarily not available for cash. The Trustees will continue to monitor the allocation of the funds' brokerage to ensure that the principle of "best price and execution" remains paramount in the portfolio trading process.

The Trustees' annual review of your fund's management contract also included the review of your fund's custodian agreement with Putnam Fiduciary Trust Company, which provides benefits to affiliates of Putnam Management.

Comparison of retail and institutional fee schedules

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

Other information for shareholders

Important notice regarding share repurchase program

In October 2005, the Trustees of your fund authorized Putnam Investments to implement a repurchase program on behalf of your fund, which would allow your fund to repurchase up to 5% of its outstanding shares over the 12 months following the announcement.

Notice regarding 2006 annual shareholder meeting

The 2006 annual meeting of shareholders of your fund is currently expected to be held in June 2006, rather than in October, as was stated in the proxy statement for the 2005 annual meeting. Accordingly, shareholder proposals to be included in the proxy statement for the 2006 meeting must be received by your fund on or before February 10, 2006. Shareholders who wish to make a proposal at the 2006 annual meeting -- other than one that will be included in the fund's proxy materials -- should notify the fund no later than April 26, 2006. Shareholders who wish to propose one or more nominees for election as Trustees, or to make a proposal fixing the number of Trustees, at the 2006 annual meeting must provide written notice to the fund (including all required information) so that such notice is received in good order by the fund no earlier than April 15, 2006 and no later than May 15, 2006. Notices of any such proposals should be addressed to the Clerk of your fund at One Post Office Square, Boston, Massachusetts 02109.

Putnam's policy on confidentiality

In order to conduct business with our shareholders, we must obtain certain personal information such as account holders' addresses, telephone numbers, Social Security numbers, and the names of their financial advisors. We use this information to assign an account number and to help us maintain accurate records of transactions and account balances. It is our policy to protect the confidentiality of your information, whether or not you currently own shares of our funds, and in particular, not to sell information about you or your accounts to outside marketing firms. We have safeguards in place designed to prevent unauthorized access to our computer systems and procedures to protect personal information from unauthorized use. Under certain circumstances, we share this information with outside vendors who provide services to us, such as mailing and proxy solicitation. In those cases, the service providers enter into confidentiality agreements with us, and we provide only the information necessary to process transactions and perform other services related to your account. We may also share this information with our Putnam affiliates to service your account or provide you with information about other Putnam products or services. It is also our policy to share account information with your financial advisor, if you've listed one on your Putnam account. If you would like clarification about our confidentiality policies or have any questions or concerns, please don't hesitate to contact us at 1-800-225-1581, Monday through Friday, 8:30 a.m. to 7:00 p.m., or Saturdays from 9:00 a.m. to 5:00 p.m. Eastern Time.

Proxy voting

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 3