

PUTNAM MASTER INTERMEDIATE INCOME TRUST  
Form N-30D  
May 22, 2001

Putnam  
Master  
Intermediate  
Income Trust

SEMIANNUAL REPORT ON PERFORMANCE AND OUTLOOK

3-31-01

[SCALE LOGO OMITTED]

FROM THE TRUSTEES

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

Dear Shareholder:

Putnam Master Intermediate Income Trust participated in the favorable bond markets created by equity investors' flight to safety during the first half of the fund's fiscal year, though to a lesser degree than portfolios with greater exposure to U.S. Treasury and top-rated corporate bonds.

This is as it should be; the fund's more aggressive positioning within the fixed-income spectrum is designed to provide higher levels of current income over time than more conservative portfolios. The tradeoff, of course, is that in market environments such as we are now experiencing, the fund's net asset value will tend to fare less well than its conservative siblings, though your fund's management team remains steadfast in its commitment to the fund's secondary objective of capital preservation.

In the following report, Fund Manager David Waldman reviews performance and strategy during the semiannual period and offers his insights on prospects for the remainder of fiscal 2001.

Respectfully yours,

/S/ JOHN A. HILL

/S/ GEORGE PUTNAM, III

John A. Hill  
Chairman of the Trustees  
May 18, 2001

George Putnam, III  
President of the Funds

REPORT FROM FUND MANAGEMENT

David L. Waldman  
and the Core Fixed Income Team

Volatility dominated the U.S. economic environment during Putnam Master Intermediate Income Trust's semiannual period, which ended March 31, 2001. In the fall of 2000, a rapidly decelerating economy combined with sharp declines in the equity markets to signal an end to the Federal Reserve Board's short-term interest rate increases. U.S. bond markets rallied as investors became more averse to risk, moving assets into the relative safety of bonds and away from stocks. As 2001 approached, equities

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continued to lose ground while consumer confidence quickly deteriorated over uncertainty regarding the U.S. slowdown. In response to the sagging economy, the Fed adopted an aggressive easing policy, which resulted in a series of interest-rate reductions, totaling 1.5 percentage points in the first quarter 2001. This, along with a continued flight to quality by investors from the beleaguered equity markets, provided your fund with positive returns.

Total return for 6 months ended 3/31/01

NAV	Market price
2.19%	7.32%

Past performance is not indicative of future results. Performance based on market price will vary from performance based on the fund's net asset value. Performance information for longer periods begins on page 6.

### \* HIGH YIELD BONDS BEGIN RECOVERY

In the fourth quarter of 2000, profit warnings and economic indicators suggesting a rapidly decelerating U.S. economy sent high-yield markets plunging, consistent with the performance of U.S. equity markets. Overall, the high-yield corporate sector was one of the weakest fixed-income sectors in 2000. However, the market environment for high-yield bonds changed dramatically when the Fed reduced rates in January.

[GRAPHIC OMITTED: horizontal bar chart TOP COUNTRY ALLOCATIONS (INTERNATIONAL SECTOR)]

### TOP COUNTRY ALLOCATIONS (INTERNATIONAL SECTOR)\*

Germany	4.8%
Canada	2.5%
Italy	2.1%
United Kingdom	2.0%
Brazil	2.0%

Footnote reads:

\*Based on net assets as of 3/31/01. Holdings will vary over time.

The interest-rate cuts resuscitated performance of the non-Treasury sectors of the bond market, including high-yield bonds, which experienced a sharp rebound that endured through mid-February. Deteriorating economic and corporate fundamentals forced the sector to give back some of its gains in March, although it remained the strongest-performing fixed income sector for the first quarter 2001. Although the sector was unable to recoup all of its losses sustained in fourth quarter of 2000, our increased weighting to the sector beginning in December, benefited the fund once the rally began.

Investment-grade bonds advanced during the period, posting solid absolute gains in a volatile and uncertain economic environment. U.S. Treasuries were the best-performing issues in the fourth quarter of 2000 as the yield curve continued to reverse its inverted posture and the Fed adopted an easing bias.

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### \* FIXED-INCOME SECTOR SHINES

As equity markets plummeted, a flight to quality boosted the performance of U.S. Treasury bonds. Bond outperformance continued into 2001, facilitated by an aggressive Fed easing policy and continued equity market volatility. In January, the yield curve steepening began to accelerate, with short- and intermediate-term yields falling more than longer-term yields. The fund's focus on short- and intermediate-maturity fixed-income securities was a significant benefit to its performance during the period. As the yield curve dramatically steepened, shorter-maturity issues outperformed longer maturities.

In addition to Treasury securities, other investment-grade sectors benefited as investors found these higher-yielding securities more attractive. Corporate bonds represented the best-performing investment-grade sector in the first quarter of 2001, reversing some of their poor performance of last year. Despite increased volatility combined with higher prepayments, mortgage-backed securities generated attractive absolute returns, which contributed to the fund's overall performance. Asset-backed securities and commercial mortgage-backed securities performed relatively well during the period, and the increased weighting in these sectors was a small benefit to the fund as well.

### \* INTERNATIONAL MARKETS: MIXED RESULTS

Within the developed-market universe, global bonds advanced during the period. Escalating evidence of a global economic slowdown at year's end led to central banks' initiation of monetary easing cycles in the first quarter of 2001. Additionally, sovereign bonds benefited from growing investor risk aversion caused by steep equity-market declines. Specifically, holdings in Greece and New Zealand contributed to positive performance.

In the fourth quarter of 2000, the fund's currency exposure helped as investors' outlook for the U.S. economy grew gloomier and the U.S. dollar weakened, whereas in the first quarter of 2001, the U.S. dollar strengthened and the fund's non-U.S. currency exposure detracted from performance.

The semiannual period proved extremely volatile for emerging market bonds. An increase in geopolitical risks combined with slowing economic growth created uncertainty for emerging market investors. While the market rebounded in December and January along with the Fed's easing bias, liquidity issues in Argentina and Turkey lingered throughout the period. The fund's limited exposure to Argentina helped performance as the country's markets performed poorly in the wake of political and economic uncertainties. In addition, the fund's position in Russia, an outperforming country during the period, also contributed positively to performance.

### \* OUTLOOK POSITIVE FOR REST OF 2001

As we look toward the future, we expect that the economic environment will eventually stabilize and low inflation should remain a reality. Further interest-rate cuts by the Fed and the likelihood of a federal income-tax cut should help the economy rebound in the second half of 2001. With regard to the investment-grade sectors, we believe mortgage-backed securities should remain attractive, despite the uncertainty surrounding prepayments. High-yield bonds were temporarily paralyzed by fears of negative corporate earnings developments; however, these fears will most likely dissipate as the Fed continues to cut interest rates and the economy stabilizes. In addition, investors have begun to take notice of the value offered in the current yields of this sector and are reversing their previous cash outflow patterns.

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[GRAPHIC OMITTED: TOP THREE HOLDINGS PER SECTOR]

TOP THREE HOLDINGS  
PER SECTOR

HIGH-YIELD BONDS

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

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

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

FOREIGN BONDS

Italy (Government of)  
treasury bonds 5 1/2s, 2010

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

Germany (Federal Republic of)  
bonds Ser. 97, 6s, 2007

U.S. INVESTMENT-GRADE  
SECURITIES

U.S. Treasury Notes,  
5 3/4s, August 15, 2010

U.S. Treasury Strip,  
zero %, August 15, 2009

Federal National Mortgage Association,  
Pass-Through Certificates,  
8s, with due dates from July 1, 2028  
to March 1, 2031

Footnote reads:

These holdings represent 19.5% of the fund's net assets as of 3/31/01.  
Portfolio holdings will vary over time.

Looking ahead at international markets, we remain cautious on Japan as we perceive little additional value in the Japanese bond market with interest rates returning to zero. In addition, we see value in core Europe as slowing growth should lead to lower yields. We have become more cautious on emerging-market debt, given the risks associated with specific countries. Recent U.S. equity-market declines have increased investor risk aversion, thereby diminishing opportunities for financing. With the probability of continued currency volatility, we have reduced the fund's non-U.S. currency exposure. Although some volatility and uncertainty may be in store, we believe the fund is well diversified and positioned to perform well the rest of the fiscal year.

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 3/31/01, there is no guarantee the fund will continue to hold

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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 should always be considered in light of its investment strategy. Putnam Master Intermediate Income Trust is designed for investors seeking high current income and relative stability of net asset value through U.S. government, investment-grade high-yield, and international fixed-income securities with limited maturities.

#### TOTAL RETURN FOR PERIODS ENDED 3/31/01

	NAV	Market price
6 months	2.19%	7.32%
1 year	3.78	24.94
5 years	28.55	39.81
Annual average	5.15	6.93
10 years	118.38	125.33
Annual average	8.12	8.46
Annual average (life of fund, since 4/29/88)	7.74	6.70

#### COMPARATIVE INDEX RETURNS FOR PERIODS ENDED 3/31/01

	Lehman Bros. Government Intermediate Bond Index	Salomon Bros. Non-U.S. World Govt. Bond Index	Credit Suisse First Boston High Yield Index	Consumer price index
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6 months	7.09%	-1.10%	-0.38%	1.56%
1 year	11.96	-6.32	0.76	2.92
5 years	40.00	4.94	28.05	13.23
Annual average	6.96	0.97	5.07	2.52
10 years	101.87	91.36	155.85	30.59
Annual average	7.28	6.70	9.85	2.70
Annual average (life of fund, since 4/29/88)	7.78	5.80	9.00	3.22

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.

PRICE AND DISTRIBUTION INFORMATION 6 MONTHS ENDED 3/31/01

Distributions from common shares		
Number	6	
Income	\$0.318	
Capital gains	--	
Total	\$0.318	
Share value:	NAV	Market price
9/30/00	\$7.13	\$6.438
3/31/01	6.94	6.580
Current return		
Current dividend rate 1	9.16%	9.67%

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

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 liabilities, divided by the number of outstanding common shares.

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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

Lehman Brothers Government Intermediate Bond Index\* is an unmanaged list of U.S. government and mortgage-backed securities composed of all bonds covered by the Lehman Brothers Government Bond Index with maturities between 1 and 9.99 years.

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

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

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

\*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 in a different period from the one in which they were earned.

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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 March 31, 2001 (Unaudited)

#### CORPORATE BONDS AND NOTES (49.4%) (a) PRINCIPAL AMOUNT

##### Advertising and Marketing Services (0.3%)

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\$	165,000	Adams Outdoor Advertising sr. notes 10 3/4s, 2006
	620,000	AOA Holdings LLC sr. notes 10 3/8s, 2006
	787,920	Interact Operating Co. 144A notes 14s, 2003
	460,000	Lamar Media Corp. company guaranty 9 5/8s, 2006
	600,000	Lamar Media Corp. sr. sub. notes 9 1/4s, 2007
	110,000	Lamar Media Corp. company guaranty 8 5/8s, 2007

##### Aerospace and Defense (1.2%)

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	200,000	Argo-Tech Corp. company guaranty Ser. D, 8 5/8s, 2007
	1,140,000	Argo-Tech Corp. company guaranty 8 5/8s, 2007
	1,035,000	BE Aerospace, Inc. sr. sub. notes 9 1/2s, 2008
	810,000	BE Aerospace, Inc. sr. sub. notes Ser. B, 8s, 2008
	1,000,000	Decrane Aircraft Holdings Co. company guaranty Ser. B, 12s, 2008
	1,130,000	L-3 Communications Corp. sr. sub. notes 8 1/2s, 2008
	330,000	L-3 Communications Corp. company guaranty Ser. B, 8s, 2008
	410,000	Moog, Inc. sr. sub. notes Ser. B, 10s, 2006
	1,150,000	Sequa Corp. med. term notes Ser. A, 10.15s, 2001
	10,000	Sequa Corp. sr. notes 9s, 2009
	1,150,000	Sequa Corp. 144A sr. notes 8 7/8s, 2008

##### Agriculture (0.3%)

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	2,009,455	Premium Standard Farms, Inc. sr. sec. notes 11s, 2003 (PIK)
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##### Airlines (0.6%)

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	360,000	Air Canada Corp. 144A sr. notes 10 1/4s, 2011 (Canada)
	1,030,000	Calair LLC 144A company guaranty 8 1/8s, 2008
	240,000	Northwest Airlines, Inc. company guaranty 8 3/8s, 2004
	540,000	Northwest Airlines, Inc. company guaranty 7 5/8s, 2005
	2,000,000	US Air, Inc. pass-thru certificates Ser. 93-A2, 9 5/8s, 2003

##### Automotive (1.2%)



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844,000	Aftermarket Technology Corp. sr. sub. notes 12s, 2004
250,000	Aftermarket Technology Corp. sr. sub. notes Ser. D, 12s, 2004
540,000	Collins & Aikman Products, Inc. company guaranty 11 1/2s, 2006
640,000	Dana Corp. notes 6 1/4s, 2004
750,000	Dura Operating Corp. company guaranty Ser. B, 9s, 2009
210,000	Exide Corp. sr. notes 10s, 2005
260,000	Federal Mogul Corp. notes 7 7/8s, 2010
1,220,000	Federal Mogul Corp. notes 7 3/4s, 2006
1,090,000	Hayes Lemmerz International, Inc. company guaranty Ser. B, 8 1/4s, 2008
460,000	Hayes Wheels International, Inc. company guaranty 11s, 2006
845,000	Hayes Wheels International, Inc. company guaranty Ser. B, 9 1/8s, 2007
940,000	Hayes Wheels International, Inc. 144A sr. sub. notes 9 1/8s, 2007
580,000	Lear Corp. sub. notes 9 1/2s, 2006
580,000	Lear Corp. company guaranty Ser. B, 8.11s, 2009
650,000	Lear Corp. company guaranty Ser. B, 7.96s, 2005
1,860,000	Oxford Automotive, Inc. company guaranty Ser. D, 10 1/8s, 2007
200,000	Safety Components International, Inc. sr. sub. notes Ser. B, 10 1/8s, 2007 (In default) (NON)
360,000	Tenneco, Inc. company guaranty 11 5/8s, 2009 (Malaysia)

### Banking (1.0%)

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460,000	Chevy Chase Savings Bank, Inc. sub. deb. 9 1/4s, 2005
1,060,000	GS Escrow Corp. sr. notes 7 1/8s, 2005
2,180,000	Hanvit Bank 144A sub. notes 11 3/4s, 2010 (Korea)
670,000	Local Financial Corp. sr. notes 11s, 2004
2,130,000	Sovereign Bancorp, Inc. sr. notes 10 1/2s, 2006

### Beverage (0.1%)

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150,000	Constellation Brands, Inc. company guaranty 8 1/2s, 2009
470,000	Constellation Brands, Inc. 144A sr. notes 8s, 2008

### Broadcasting (3.5%)

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1,140,000	Acme Television 144A sr. disc. notes 10 7/8s, 2004
350,000	Allbritton Communications Co. sr. sub. notes Ser. B, 8 7/8s, 2008
245,900	AMFM Operating, Inc. deb. 12 5/8s, 2006 (PIK)
10,263	Australis Media, Ltd. sr. disc. notes 15 3/4s, 2003 (Australia) (In default) (NON) (PIK)
840,000	Benedek Communications Corp. sr. disc. notes stepped-coupon zero % (13 1/4s, 5/15/01), 2006 (STP)
120,000	British Sky Broadcasting PLC company guaranty 8.2s, 2009 (United Kingdom)
210,000	British Sky Broadcasting PLC company guaranty 7.3s, 2006 (United Kingdom)
400,000	British Sky Broadcasting PLC company guaranty 6 7/8s, 2009 (United Kingdom)
115,000	Central European Media Enterprises, Ltd. sr. notes 9 3/8s, 2004 (Bermuda)
1,910,000	Chancellor Media Corp. company guaranty 8s, 2008

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256,020 Citadel Broadcasting, Inc. sr. sub. notes 10 1/4s, 2007  
 490,000 Citadel Broadcasting, Inc. company guaranty 9 1/4s, 2008  
 4,030,000 Echostar Broadband Corp. sr. notes 10 3/8s, 2007  
 1,190,000 Echostar DBS Corp. sr. notes 9 3/8s, 2009  
 400,000 Emmis Escrow Corp. 144A sr. disc. notes stepped-coupon  
 zero % (12 1/2s, 3/15/06), 2011 (STP)  
 770,000 Fox Family Worldwide, Inc. sr. disc. notes stepped-coupon  
 zero % (10 1/4s, 11/1/02), 2007 (STP)  
 1,010,000 Fox Family Worldwide, Inc. sr. notes 9 1/4s, 2007  
 350,000 Fox/Liberty Networks LLC sr. notes 8 7/8s, 2007  
 560,000 Golden Sky Systems company guaranty Ser. B, 12 3/8s, 2006  
 530,000 Granite Broadcasting Corp. sr. sub. notes 8 7/8s, 2008  
 1,650,000 LIN Holdings Corp. sr. disc. notes stepped-coupon zero %  
 (10s, 3/1/03), 2008 (STP)  
 300,000 LIN Television Corp. company guaranty 8 3/8s, 2008  
 600,000 News America, Inc. sr. notes 6 5/8s, 2008  
 610,000 Paxson Communications Corp. 144A sr. sub. notes 11 5/8s, 2002  
 25,000 Pegasus Communications Corp. sr. notes 12 1/2s, 2007  
 2,170,000 Pegasus Communications Corp. sr. notes Ser. B, 9 3/4s, 2006  
 90,000 Pegasus Media & Communications notes Ser. B, 12 1/2s, 2005  
 997,000 PHI Holdings, Inc. sr. sub. notes zero %, 2001  
 275,000 Radio One, Inc. company guaranty Ser. B, 12s, 2004  
 30,000 Sinclair Broadcast Group, Inc. sr. sub notes 10s, 2005  
 390,000 Sinclair Broadcast Group, Inc. company guaranty 9s, 2007  
 440,000 Sinclair Broadcast Group, Inc. sr. sub. notes 8 3/4s, 2007  
 1,530,000 TV Azteca S.A. de C.V. sr. notes 10 1/2s, 2007 (Mexico)  
 590,000 XM Satellite Radio Holdings, Inc. sec. notes 14s, 2010  
 990,000 Young Broadcasting Inc. 144A sr. sub notes 10s, 2011

### Building Materials (0.5%)

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1,455,000 American Standard, Inc. company guaranty 7 5/8s, 2010  
 80,000 American Standard, Inc. company guaranty 7 1/8s, 2003  
 230,000 Atrium Companies, Inc. company guaranty Ser. B, 10 1/2s, 2009  
 320,000 Building Materials Corp. of America company guaranty 8s, 2008  
 1,020,000 Dayton Superior Corp. company guaranty 13s, 2009  
 410,000 NCI Building Systems, Inc. sr. sub. notes Ser. B, 9 1/4s, 2009  
 360,000 Nortek, Inc. sr. notes Ser. B, 8 7/8s, 2008

### Cable Television (3.3%)

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1,610,000 Adelphia Communications Corp. sr. notes 10 7/8s, 2010  
 2,013,000 Adelphia Communications Corp. sr. notes Ser. B, 9 7/8s, 2007  
 1,450,000 Charter Communications Holdings, LLC sr. notes 11 1/8s, 2011  
 170,000 Charter Communications Holdings, LLC sr. notes 10 3/4s, 2009  
 490,000 Charter Communications Holdings, LLC sr. notes 10s, 2009  
 2,020,000 Charter Communications Holdings, LLC sr. notes 8 5/8s, 2009  
 310,000 Charter Communications Holdings, LLC sr. notes 8 1/4s, 2007  
 230,000 Charter Communications Holdings, LLC sr. disc. notes  
 zero %, 2011  
 30,000 Comcast UK Cable, Ltd. deb. 10 3/4s, 2007 (Bermuda)  
 1,600,000 CSC Holdings, Inc. sr. sub notes 9 7/8s, 2006  
 2,700,000 Diamond Cable Communication PLC sr. disc. notes  
 stepped-coupon zero % (10 3/4s, 2/15/02), 2007  
 (United Kingdom) (STP)  
 2,742,000 Diva Systems Corp. sr. disc. notes stepped-coupon Ser. B,  
 zero % (12 5/8s, 3/1/03), 2008 (STP)  
 1,850,000 Insight Communications Company, Inc. 144A sr. disc. notes

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zero %, 2011  
1,000,000 Insight Media bank term loan FRN 8.188s, 2009  
(acquired 1/9/01, cost \$998,500) (RES)  
530,000 Insight Midwest LP/Insight Capital, Inc. 144A sr. notes  
10 1/2s, 2010  
650,000 International Cabletel, Inc. sr. disc. notes 11 1/2s, 2006  
60,000 Knology Holdings, Inc. sr. disc. notes stepped-coupon  
zero % (11 7/8s, 10/15/02), 2007 (STP)  
420,000 NTL Communications Corp. sr. notes stepped-coupon Ser. B,  
zero % (12 3/8s, 10/1/03), 2008 (STP)  
1,740,000 NTL Communications Corp. sr. notes Ser. B, 11 1/2s, 2008  
1,090,000 NTL, Inc. sr. notes Ser. A, 12 3/4s, 2005  
100,000 RCN Corp. sr. disc. notes stepped-coupon zero %  
(11 1/8s, 10/15/02), 2007 (STP)  
490,000 RCN Corp. sr. notes 10 1/8s, 2010  
470,000 RCN Corp. sr. disc. notes stepped-coupon Ser. B, zero %  
(9.8s, 2/15/03), 2008 (STP)  
230,000 Rogers Cablesystems, Ltd. deb. 10 1/8s, 2012 (Canada)  
560,000 Supercanal Holdings S.A. 144A sr. notes 11 1/2s, 2005  
(Argentina) (In default) (NON)  
1,200,000 TeleWest Communications PLC sr. disc. notes stepped-coupon  
zero % (11 3/8s, 2/1/05), 2010 (United Kingdom) (STP)  
390,000 TeleWest Communications PLC 144A sr. notes 11 1/4s, 2008  
(United Kingdom)  
410,000 TeleWest Communications PLC structured note  
(issued by DLJ International Capital) 10 7/8s, 2005  
(Cayman Islands)  
40,000 TeleWest Communications PLC sr. notes 9 7/8s, 2010  
(United Kingdom)  
260,000 TeleWest Communications PLC deb. 9 5/8s, 2006  
(United Kingdom)  
510,000 United Pan-Europe N.V. sr. disc. notes stepped-coupon  
zero % (13 3/4s, 2/1/05), 2010 (Netherlands) (STP)  
250,000 United Pan-Europe N.V. sr. disc. notes stepped-coupon  
zero % (12 1/2s, 8/1/04), 2009 (Netherlands) (STP)  
2,170,000 United Pan-Europe N.V. 144A sr. disc. notes stepped-coupon  
zero % (12 1/2s, 8/1/04), 2009 (Netherlands) (STP)  
890,000 United Pan-Europe N.V. 144A bonds 10 7/8s, 2009  
(Netherlands)  
50,000 United Pan-Europe N.V. sr. notes Ser. B, 10 7/8s, 2007  
(Netherlands)

Chemicals (1.7%)

910,000 Geo Specialty Chemicals, Inc. sr. sub. notes 10 1/8s, 2008  
210,000 Georgia Gulf Corp. company guaranty 10 3/8s, 2007  
160,000 Hercules, Inc. 144A company guaranty 11 1/8s, 2007  
30,000 Huntsman Corp. 144A sr. sub. notes 9 1/2s, 2007  
2,100,000 Huntsman ICI Chemicals, Inc. company guaranty 10 1/8s, 2009  
910,000 ISP Holdings, Inc. sr. notes Ser. B, 9 3/4s, 2002  
2,150,000 Lyondell Petrochemical Co. sec. notes Ser. B, 9 7/8s, 2007  
1,520,000 Lyondell Petrochemical Co. notes Ser. A, 9 5/8s, 2007  
2,000,000 PCI Chemicals & Pharmaceuticals company guaranty  
9 1/4s, 2007 (Canada) (In default) (NON)  
466,000 Pioneer Americas Acquisition 144A sr. notes 9 1/4s, 2007  
(In default) (NON)  
370,000 PMD Group, Inc. 144A sr. sub notes 11s, 2011  
340,000 Polymer Group, Inc. company guaranty Ser. B, 9s, 2007  
760,000 Polymer Group, Inc. company guaranty Ser. B, 8 3/4s, 2008  
357,928 Polytama International notes 11 1/4s, 2007 (Netherlands)

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810,000 Royster-Clark, Inc. 1st mtge. 10 1/4s, 2009  
470,000 Scotts Co. (The) company guaranty 8 5/8s, 2009  
325,000 Sterling Chemicals Holdings sr. disc. notes stepped-coupon  
zero % (13 1/2s, 8/15/01), 2008 (STP)  
680,000 Sterling Chemicals, Inc. company guaranty Ser. B, 12 3/8s, 2006  
220,000 Sterling Chemicals, Inc. sr. sub. notes Ser. A, 11 1/4s, 2007  
200,000 Texas Petrochemical Corp. sr. sub. notes Ser. B, 11 1/8s, 2006

### Commercial and Consumer Services (0.3%)

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1,530,000 Coinmach Corp. sr. notes Ser. D, 11 3/4s, 2005  
190,000 Travel Centers of America notes 12 3/4s, 2009

### Communications Equipment (--%)

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290,000 Telex Communications, Inc. 144A company guaranty  
10 1/2s, 2007

### Components (--%)

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330,000 Seagate Technology, Inc. 144A company guaranty  
12 1/2s, 2007 (Cayman Islands)

### Construction (0.2%)

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1,390,000 Better Minerals & Aggregates Co. company guaranty 13s, 2009  
870,000 Morrison Knudsen Corp. 144A sr. notes 11s, 2010

### Consumer (0.5%)

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680,000 Derby Cycle Corp. (The) sr. notes 10s, 2008  
600,000 Derby Cycle Corp. (The) sr. notes 9 3/8s, 2008  
930,000 Home Interiors & Gifts, Inc. company guaranty 10 1/8s, 2008  
1,140,000 Jostens, Inc. sr. sub notes 12 3/4s, 2010  
810,000 Samsonite Corp. sr. sub. notes 10 3/4s, 2008  
1,000,000 Sealy Mattress Co. company guaranty stepped-coupon Ser. B,  
zero % (10 7/8s, 12/15/02), 2007 (STP)  
410,000 Sealy Mattress Co. sr. sub. notes Ser. B, 9 7/8s, 2007

### Consumer Finance (0.4%)

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640,000 Aames Financial Corp. sr. notes 9 1/8s, 2003  
700,000 Conseco Financial Corp. sr. sub. notes 10 1/4s, 2002  
1,090,000 Contifinancial Corp. sr. notes 8 3/8s, 2003 (In default) (NON)  
1,340,000 Contifinancial Corp. sr. notes 8 1/8s, 2008 (In default) (NON)  
1,320,000 Contifinancial Corp. sr. notes 7 1/2s, 2002 (In default) (NON)  
1,380,000 Delta Financial Corp. company guaranty 9 1/2s, 2004  
420,000 Nationwide Credit, Inc. sr. notes Ser. A, 10 1/4s, 2008  
565,000 Outsourcing Solutions, Inc. sr. sub. notes Ser. B, 11s, 2006  
50,000 Xerox Credit Corp. sr. notes 6.1s, 2003

### Consumer Goods (0.9%)

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1,350,000 Albecca, Inc. company guaranty 10 3/4s, 2008  
70,000 Chattem, Inc. company guaranty Ser. B, 8 7/8s, 2008  
1,370,000 Doane Pet Care Corp. sr. sub. deb. 9 3/4s, 2007  
550,000 Elizabeth Arden, Inc. 144A notes 11 3/4s, 2011  
320,000 French Fragrances, Inc. company guaranty Ser. D, 10 3/8s, 2007  
500,000 Leiner Health Products sr. sub. notes 9 5/8s, 2007  
760,000 NBTY, Inc. 144A sr. sub. notes 8 5/8s, 2007  
1,700,000 Playtex Products, Inc. sr. sub notes 9s, 2003  
140,000 Playtex Products, Inc. 144A company guaranty Ser. B,  
8 7/8s, 2004  
810,000 Revlon Consumer Products sr. sub. notes 8 5/8s, 2008

### Consumer Staples (--%)

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570,000 Doskcil Manufacturing Co sr. sub. notes 10 1/8s, 2007  
(In default) (NON)

### Containers (0.6%)

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870,000 AEP Industries, Inc. sr. sub. notes 9 7/8s, 2007  
700,000 Consumers International 144A sr. notes 10 1/4s, 2005  
(In default) (NON)  
410,000 Huntsman Packaging Corp. company guaranty 13s, 2010  
370,000 Owens-Illinois, Inc. sr. notes 7.35s, 2008  
560,000 Owens-Illinois, Inc. sr. notes 7.15s, 2005  
100,000 Radnor Holdings, Inc. sr. notes 10s, 2003  
1,470,000 Tekni-Plex, Inc. company guaranty Ser. B, 12 3/4s, 2010  
370,000 U.S. Can Corp. 144A sr. sub. notes 12 3/8s, 2010

### Electric Utilities (0.5%)

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273,000 AES China Generating Co. sr. notes 10 1/8s, 2006 (Bermuda)  
260,000 CMS Energy Corp. sr. notes 8 1/2s, 2011  
270,000 CMS Energy Corp. sr. notes 7 1/2s, 2009  
1,410,000 CMS Energy Corp. sr. notes Ser. B, 6 3/4s, 2004  
476,634 Luannan Energy Co. sec. notes 12 1/4s, 2002  
(Cayman Islands)  
771,079 Northeast Utilities System notes Ser. A, 8.58s, 2006  
193,600 Northeast Utilities System notes Ser. B, 8.38s, 2005

### Electronics (0.1%)

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905,000 Celestica International, Ltd. 144A sr. sub. notes 10 1/2s, 2006  
(Canada)

### Energy (0.8%)

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1,000,000 Cliffs Drilling Co. company guaranty Ser. D, 10 1/4s, 2003  
180,000 Compagnie Generale de Geophysique SA 144A sr. notes  
10 5/8s, 2007 (Canada)  
400,000 Grant Prideco, Inc. 144A sr. notes 9 5/8s, 2007  
150,000 Key Energy Services, Inc. 144A sr. notes 8 3/8s, 2008  
1,120,000 Parker Drilling Corp. company guaranty Ser. D, 9 3/4s, 2006  
800,000 Pride Petroleum Services, Inc. sr. notes 9 3/8s, 2007  
1,440,000 RBF Finance Co. company guaranty 11 3/8s, 2009

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### Entertainment (0.9%)

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180,000 AMC Entertainment, Inc. sr. sub. notes 9 1/2s, 2009  
1,600,000 Cinemark USA, Inc. sr. sub. notes 8 1/2s, 2008 (Mexico)  
2,775,000 Premier Parks, Inc. sr. notes 9 1/4s, 2006  
1,000 Regal Cinemas, Inc. sr. sub. notes 9 1/2s, 2008 (In default) (NON)  
146,029 Regal Cinemas, Inc. bank term loan FRN Ser. C, 9 1/2s, 2006  
(acquired 3/26/01, cost \$131,426) (RES)  
1,264,428 Regal Cinemas, Inc. bank term loan FRN Ser. B, 9 1/4s, 2006  
(acquired 3/14/01, cost \$1,112,506) (RES)  
699,791 Regal Cinemas, Inc. bank term loan FRN Ser. A, 9s, 2006  
(acquired 3/14/01, cost \$627,188) (RES)  
800,000 Silver Cinemas, Inc. sr. sub. notes 10 1/2s, 2005 (In default) (NON)  
350,000 Six Flags, Inc. 144A sr. notes 9 1/2s, 2009  
586,000 United Artists Theatre 144A notes 10.415s, 2007  
(In default) (NON)  
1,475,000 United Artists Theatre sr. sub. notes Ser. B, 9 3/4s, 2008  
(In default) (NON)

### Financial (1.1%)

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1,270,000 Advanta Corp. med. term notes Ser. B, 7s, 2001  
1,060,000 Advanta Corp. med. term notes Ser. D, 6.92s, 2002  
820,000 AMRESKO, Inc. sr. sub. notes Ser. 97-A, 10s, 2004  
880,000 Finova Capital Corp. sr. notes 7 5/8s, 2009 (In default) (NON)  
1,040,000 Finova Capital Corp. notes 7 1/4s, 2004 (In default) (NON)  
250,000 Finova Capital Corp. notes 6 1/4s, 2002 (In default) (NON)  
60,000 Finova Capital Corp. notes 6 1/8s, 2004 (In default) (NON)  
440,000 Imperial Credit Capital Trust I 144A company guaranty  
10 1/4s, 2002  
620,000 Ocwen Federal Bank sub. deb. 12s, 2005  
360,000 Ocwen Financial Corp. notes 11 7/8s, 2003  
760,000 Resource America, Inc. 144A sr. notes 12s, 2004  
630,000 Superior Financial 144A sr. notes 8.65s, 2003  
340,000 Willis Corron Corp. 144A sr. sub notes 9s, 2009

### Food (0.4%)

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700,000 Archibald Candy Corp. company guaranty 10 1/4s, 2004  
235,000 Aurora Foods, Inc. sr. sub. notes Ser. B, 9 7/8s, 2007  
730,000 Aurora Foods, Inc. 144A sr. sub. notes Ser. D, 9 7/8s, 2007  
150,000 Chiquita Brands International, Inc. sr. notes 10 1/4s, 2006  
380,000 Eagle Family Foods company guaranty Ser. B, 8 3/4s, 2008  
630,000 Premier International Foods PLC sr. notes 12s, 2009  
(United Kingdom)  
990,000 RAB Enterprises, Inc. company guaranty 10 1/2s, 2005  
895,000 Vlastic Foods Intl., Inc. sr. sub. notes Ser. B, 10 1/4s, 2009

### Gaming & Lottery (3.1%)

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530,000 Anchor Gaming company guaranty 9 7/8s, 2008  
650,000 Argosy Gaming Co. 144A sr. sub notes 10 3/4s, 2009  
1,067,000 Autotote Corp. bank term loan FRN Ser. B, 9.188s, 2007

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(acquired 10/13/00, cost \$1,064,333) (RES)  
 1,230,000 Autotote Corp. company guaranty Ser. B, 12 1/2s, 2010  
 (acquired 8/3/00, cost \$1,217,238) (RES)  
 1,367,882 Fitzgeralds Gaming Corp. company guaranty Ser. B,  
 12 1/4s, 2004 (In default) (NON)  
 370,000 Harrah's Entertainment, Inc. 144A company guaranty 8s, 2011  
 250,000 Harrah's Entertainment, Inc. company guaranty 7 7/8s, 2005  
 270,000 Harrah's Entertainment, Inc. company guaranty 7 1/2s, 2009  
 920,000 Hollywood Casino Corp. company guaranty 11 1/4s, 2007  
 510,000 Hollywood Park, Inc. company guaranty Ser. B, 9 1/4s, 2007  
 720,000 International Game Technology 144A sr. notes 8 3/8s, 2009  
 1,710,000 International Game Technology sr. notes 7 7/8s, 2004  
 150,000 Isle of Capri Black Hawk LLC 144A 1st mtge. Ser. B, 13s, 2004  
 730,000 Isle of Capri Casinos company guaranty 8 3/4s, 2009  
 910,000 Mandalay Resort Group sr. sub notes Ser. B, 10 1/4s, 2007  
 1,450,000 MGM Mirage company guaranty 8 3/8s, 2011  
 800,000 Mohegan Tribal Gaming, Auth. sr. sub. notes 8 3/4s, 2009  
 330,000 Mohegan Tribal Gaming, Auth. sr. notes 8 1/8s, 2006  
 80,000 Park Place Entertainment Corp. sr. sub. notes 9 3/8s, 2007  
 1,220,000 Park Place Entertainment Corp. sr. sub. notes 8 7/8s, 2008  
 360,000 Penn National Gaming, Inc. 144A sr. sub notes 11 1/8s, 2008  
 290,000 Station Casinos, Inc. sr. sub notes 9 7/8s, 2010  
 560,000 Station Casinos, Inc. 144A sr. notes 8 3/8s, 2008  
 2,000,000 Trump A.C. 1st mtge. 11 1/4s, 2006  
 1,320,000 Trump Castle Funding, Inc. sr. sub. notes 11 3/4s, 2003  
 2,430,000 Trump Castle Funding, Inc. sub. notes 10 1/4s, 2003  
 700,000 Venetian Casino, Inc. company guaranty 12 1/4s, 2004

### Health Care (2.0%)

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340,000 ALARIS Medical Systems, Inc. 144A company guaranty  
 9 3/4s, 2006  
 360,000 Bio-Rad Labs Corp. sr. sub. notes 11 5/8s, 2007  
 1,500,000 Columbia/HCA Healthcare Corp. med. term notes 8.85s, 2007  
 2,310,000 Comned Corp. company guaranty 9s, 2008  
 560,000 HCA-The Healthcare Co. notes 8 3/4s, 2010  
 1,370,000 HCA-The Healthcare Co. notes 7s, 2007  
 350,000 HCA-The Healthcare Co. notes 6.91s, 2005  
 495,000 Kinetic Concepts, Inc. company guaranty Ser. B, 9 5/8s, 2007  
 680,000 Lifepoint Hospital Holdings company guaranty Ser. B,  
 10 3/4s, 2009  
 910,000 Magellan Health Services, Inc. sr. sub. notes 9s, 2008  
 560,000 Mediq, Inc. deb. stepped-coupon zero % (13s, 6/1/03), 2009  
 (In default) (NON) (STP)  
 760,000 Mediq, Inc. company guaranty 11s, 2008 (In default) (NON)  
 780,000 Omnicare, Inc. 144A sr. sub notes 8 1/8s, 2011  
 815,000 Paracelsus Healthcare sr. sub. notes 10s, 2006 (In default) (NON)  
 220,000 Tenet Healthcare Corp. sr. notes Ser. B, 9 1/4s, 2010  
 320,000 Tenet Healthcare Corp. sr. notes Ser. B, 8 1/8s, 2008  
 60,000 Tenet Healthcare Corp. sr. notes 8s, 2005  
 1,500,000 Tenet Healthcare Corp. sr. notes Ser. B, 7 5/8s, 2008  
 1,710,000 Triad Hospitals Holdings company guaranty Ser. B, 11s, 2009

### Homebuilding (1.2%)

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740,000 D.R. Horton, Inc. company guaranty 8s, 2009  
 270,000 Del Webb Corp. sr. sub. deb. 10 1/4s, 2010  
 260,000 Del Webb Corp. sr. sub. deb. 9 3/4s, 2008

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360,000 Del Webb Corp. sr. sub. deb. 9 3/8s, 2009  
60,000 Del Webb Corp. sr. sub. Deb. 9s, 2006  
670,000 K. Hovnanian Enterprises, Inc. company guaranty 10 1/2s, 2007  
920,000 KB Home sr. sub notes 9 1/2s, 2011  
1,280,000 Lennar Corp. company guaranty Ser. B, 9.95s, 2010  
510,000 Lennar Corp. sr. notes 7 5/8s, 2009  
80,000 M.D.C. Holdings, Inc. sr. notes 8 3/8s, 2008  
640,000 Ryland Group, Inc. sr. notes 9 3/4s, 2010  
140,000 Ryland Group, Inc. sr. sub. notes 8 1/4s, 2008  
630,000 Standard Pacific Corp. sr. notes 9 1/2s, 2010  
830,000 Toll Corp. sr. sub notes 8 1/4s, 2011  
360,000 Toll Corp. company guaranty 8 1/8s, 2009  
230,000 WCI Communications, Inc. 144A sr. sub notes 10 5/8s, 2011

### Industrial (0.1%)

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550,000 BRL Universal Equipment 144A sec. notes 8 7/8s, 2008

### Lodging/Tourism (0.9%)

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720,000 Epic Resorts LLC company guaranty Ser. B, 13s, 2005  
510,000 Felcor Lodging company guaranty 9 1/2s, 2008  
680,000 HMH Properties, Inc. sr. notes Ser. C, 8.45s, 2008  
3,335,000 HMH Properties, Inc. company guaranty Ser. B, 7 7/8s, 2008  
110,000 Host Marriott L.P. 144A sr. notes 9 1/4s, 2007  
660,000 ITT Corp. notes 6 3/4s, 2005  
900,000 Meristar Hospitality Corp. 144A sr. notes 9 1/8s, 2011

### Machinery (0.1%)

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330,000 Terex Corp. 144A sr. sub notes 10 3/8s, 2011

### Manufacturing (0.7%)

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2,470,000 Blount, Inc. 144A company guaranty 13s, 2009  
1,673 Blount, Inc. bank term loan FRN Ser. B 9.245s, 2006  
(acquired 1/28/00, cost \$1,689) (RES)  
210,000 Continental Global Group sr. notes Ser. B, 11s, 2007  
1,320,000 Flowserve Corp. company guaranty 12 1/4s, 2010  
460,000 Insilco Holding Co. sr. disc. notes stepped-coupon zero %  
(14s, 8/15/03), 2008 (STP)  
1,550,000 Motors and Gears, Inc. sr. notes Ser. D, 10 3/4s, 2006  
60,000 Roller Bearing Co. company guaranty Ser. B, 9 5/8s, 2007

### Medical Services (0.2%)

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430,000 Healthsouth Corp. sr. sub. notes 10 3/4s, 2008  
1,000,000 Integrated Health Services, Inc. sr. sub. notes Ser. A, 9 1/2s, 2007  
(In default) (NON)  
380,000 Integrated Health Services, Inc. sr. sub. notes Ser. A, 9 1/4s, 2008  
(In default) (NON)  
310,000 Mariner Post-Acute Network, Inc. sr. sub. notes stepped-coupon  
Ser. B, zero % (10 1/2s, 11/1/02), 2007 (In default) (NON) (STP)  
1,480,000 Mariner Post-Acute Network, Inc. sr. sub. notes Ser. B,  
9 1/2s, 2007 (In default) (NON)  
1,590,000 Multicare Cos., Inc. sr. sub. notes 9s, 2007 (In default) (NON)



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80,000 Service Corp. International notes 7.7s, 2009  
960,000 Service Corp. International notes 6s, 2005  
1,005,000 Sun Healthcare Group, Inc. sr. sub. notes Ser. B, 9 1/2s, 2007  
(In default) (NON)  
500,000 Sun Healthcare Group, Inc. 144A sr. sub. notes 9 3/8s, 2008  
(In default) (NON)

### Medical Technology (--%)

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480,000 Hanger Orthopedic Group, Inc. sr. sub. notes 11 1/4s, 2009

### Metals (0.9%)

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1,800,000 AK Steel Corp. company guaranty 7 7/8s, 2009  
171,400 Anker Coal Group, Inc. company guaranty Ser. B,  
14 1/4s, 2007 (PIK)  
1,000,000 Armco, Inc. sr. notes 9s, 2007  
1,375,000 Kaiser Aluminum & Chemical Corp. sr. sub. notes 12 3/4s, 2003  
60,000 Kaiser Aluminum & Chemical Corp. sr. notes Ser. B,  
10 7/8s, 2006  
30,000 Kaiser Aluminum & Chemical Corp. sr. notes 9 7/8s, 2002  
1,200,000 LTV Corp. company guaranty 11 3/4s, 2009 (In default) (NON)  
20,000 LTV Corp. (The) 144A company guaranty 8.2s, 2007  
(In default) (NON)  
150,000 Murrin Murrin Holdings Property, Ltd sr. notes 9 3/8s, 2007  
(Australia)  
540,000 National Steel Corp. 1st mtge. Ser. D, 9 7/8s, 2009  
348,000 Oregon Steel Mills 1st mortgage 11s, 2003  
430,000 P & L Coal Holdings Corp. company guaranty Ser. B,  
9 5/8s, 2008  
940,000 WCI Steel, Inc. sr. notes Ser. B, 10s, 2004  
70,000 Weirton Steel Co. 144A sr. notes 10 3/4s, 2005  
780,000 Wheeling-Pittsburgh Steel Corp. sr. notes 9 1/4s, 2007  
(In default) (NON)  
490,000 WHX Corp. sr. notes 10 1/2s, 2005

### Oil & Gas (2.0%)

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410,000 Belco Oil & Gas Corp. sr. sub. notes Ser. B, 8 7/8s, 2007  
300,000 Chesapeake Energy Corp. company guaranty Ser. B,  
9 5/8s, 2005  
1,460,000 Chesapeake Energy Corp. 144A sr. notes 8 1/8s, 2011  
1,350,000 Coda Energy, Inc. company guaranty Ser. B, 10 1/2s, 2006  
60,000 Giant Industries Corp. company guaranty 9s, 2007  
110,000 Gulf Canada Resources, Ltd. sr. sub. notes 9 5/8s, 2005  
(Canada)  
840,000 HS Resources, Inc. company guaranty 9 1/4s, 2006  
580,000 Leviathan Gas Corp. company guaranty Ser. B, 10 3/8s, 2009  
350,000 Newfield Exploration Co. sr. notes 7 5/8s, 2011  
1,540,000 Nuevo Energy Co. sr. sub. notes Ser. B, 9 1/2s, 2008  
210,000 Nuevo Energy Co. sr. sub notes Ser. B, 9 3/8s, 2010  
450,000 Ocean Energy, Inc. company guaranty Ser. B, 8 7/8s, 2007  
800,000 Ocean Energy, Inc. company guaranty Ser. B, 8 3/8s, 2008  
1,820,000 Pioneer Natural Resources Co. company guaranty  
9 5/8s, 2010  
90,000 Port Arthur Finance Corp. company guaranty 12 1/2s, 2009  
270,000 Seven Seas Petroleum sr. notes Ser. B, 12 1/2s, 2005  
580,000 Snyder Oil Corp. sr. sub. notes 8 3/4s, 2007

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230,000 Stone Energy Corp. company guaranty 8 3/4s, 2007  
50,000 Triton Energy, Ltd. sr. notes 9 1/4s, 2005  
740,000 Triton Energy, Ltd. sr. notes 8 7/8s, 2007 (Cayman Islands)  
960,000 Vintage Petroleum sr. sub. notes 9 3/4s, 2009  
500,000 Vintage Petroleum sr. sub. notes 9s, 2005  
500,000 XCL, Ltd. 144A company guaranty 13 1/2s, 2004 (In default) (NON)

### Paper & Forest Products (1.8%)

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1,330,000 Abitibi-Consolidated, Inc. bonds 8.55s, 2010 (Canada)  
1,150,000 App China Group, Ltd. 144A sr. disc. notes 14s, 2010  
(Bermuda) (In default) (NON)  
1,025,000 Doman Industries, Ltd. 144A sr. notes 8 3/4s, 2004 (Canada)  
1,310,000 Four M Corp. sr. notes Ser. B, 12s, 2006  
890,000 Gaylord Container Corp. sr. sub. notes 9 7/8s, 2008  
140,000 Gaylord Container Corp. sr. notes Ser. B, 9 3/4s, 2007  
160,000 Gaylord Container Corp. sr. notes Ser. B, 9 3/8s, 2007  
1,275,000 Indah Kiat Financial Mauritius, Ltd. company guaranty 10s, 2007  
(Indonesia) (In default) (NON)  
920,000 Pacifica Papers, Inc. sr. notes 10s, 2009 (Canada)  
1,575,000 Pindo Deli Finance Mauritius, Ltd. company guaranty  
10 3/4s, 2007 (Mauritius) (In default) (NON)  
1,925,000 PT Pabrik Kertas Tjiwi Kimia company guaranty 10s, 2004  
(Mauritius) (In default) (NON)  
2,190,000 Riverwood International Corp. company guaranty  
10 7/8s, 2008  
310,000 Stone Container Corp. 144A company guaranty  
11 1/2s, 2006 (Canada)  
1,900,000 Stone Container Corp. 144A sr. notes 9 3/4s, 2011  
700,000 Stone Container Corp. 144A sr. notes 9 1/4s, 2008  
515,552 Stone Container Corp. bank term loan FRN Ser. H,  
8.813s, 2006 (acquired 7/17/00, cost \$515,551) (RES)  
1,180,000 Tembec Industries, Inc. company guaranty  
8 5/8s, 2009 (Canada)

### Pharmaceuticals (0.4%)

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890,000 ICN Pharmaceuticals, Inc. sr. notes Ser. B, 9 1/4s, 2005  
890,000 ICN Pharmaceuticals, Inc. 144A sr. notes 8 3/4s, 2008  
80,000 ICN Pharmaceuticals, Inc. 144A sr. notes 8 3/4s, 2008  
650,000 PharMerica, Inc. company guaranty 8 3/8s, 2008

### Power Producers (1.1%)

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2,270,000 AES Corp. sr. notes 9 3/8s, 2010  
630,000 AES Corp. sr. notes 8 7/8s, 2011  
390,000 Calpine Corp. sr. notes 10 1/2s, 2006  
170,000 Calpine Corp. sr. notes 9 1/4s, 2004  
460,000 Calpine Corp. sr. notes 8 3/4s, 2007  
700,000 Calpine Corp. sr. notes 7 7/8s, 2008  
30,000 Calpine Corp. sr. notes 7 3/4s, 2009  
1,650,000 Midland Funding II Corp. deb. Ser. A, 11 3/4s, 2005  
1,118,000 York Power Funding 144A notes 12s, 2007 (Cayman Islands)

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### Publishing (0.5%)

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1,565,000 Affinity Group Holdings 144A sub. notes 11s, 2007  
395,799 Big Flower Holdings bank term loan FRN 9.25s, 2010  
(acquired 3/9/00, cost \$393,805) (RES)  
80,000 Garden State Newspapers, Inc. sr. sub. notes Ser. B, 8 3/4s, 2009  
670,000 Garden State Newspapers, Inc. sr. sub. notes 8 5/8s, 2011  
550,000 PRIMEDIA, Inc. company guaranty Ser. B, 8 1/2s, 2006  
370,000 PRIMEDIA, Inc. company guaranty 7 5/8s, 2008

### Railroads (0.2%)

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740,000 Kansas City Southern Railway 144A sr. notes 9 1/2s, 2008  
790,000 Railamerica Transportation Corp. company guaranty  
12 7/8s, 2010  
910,000 Transportation Manufacturing Operations, Inc.  
company guaranty 11 1/4s, 2009

### Regional Bells (0.1%)

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450,000 Alaska Communications Systems Corp. company guaranty  
9 3/8s, 2009

### Restaurants (0.4%)

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350,000 Domino's, Inc. company guaranty Ser. B, 10 3/8s, 2009  
810,000 FRD Acquisition Co. sr. notes Ser. B, 12 1/2s, 2004  
600,000 Sbarro, Inc. company guaranty 11s, 2009  
1,060,000 Tricon Global Restaurants, Inc. sr. notes 7.65s, 2008  
560,000 Tricon Global Restaurants, Inc. sr. notes 7.45s, 2005

### Retail (1.1%)

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1,620,000 Amazon.com, Inc. sr. sub. notes stepped-coupon zero %  
(10s, 5/1/03), 2008 (STP)  
330,000 Fleming Companies, Inc. company guaranty Ser. B, 10 1/2s, 2004  
730,000 Fleming Companies, Inc. 144A sr. notes 10 1/8s, 2008  
260,000 Great Atlantic & Pacific Tea Co. notes 7 3/4s, 2007  
260,000 Great Atlantic & Pacific Tea Co. sr. notes 7.7s, 2004  
30,000 Iron Age Holdings Corp. sr. disc. notes stepped-coupon  
zero % (12 1/8s, 5/1/03), 2009 (STP)  
1,330,000 K mart Corp. notes 8 3/8s, 2004  
510,000 Mothers Work, Inc. sr. notes 12 5/8s, 2005  
2,650,000 Saks, Inc. company guaranty 8 1/4s, 2008  
200,000 Southland Corp. deb. Ser. A, 4 1/2s, 2004  
1,437,000 Southland Corp. deb. Ser. B, 4s, 2004

### Semiconductor (0.2%)

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550,000 ChipPac Intl., Ltd. company guaranty Ser. B, 12 3/4s, 2009  
90,000 Fairchild Semiconductor Corp. 144A sr. sub. notes 10 1/2s, 2009  
1,180,000 Fairchild Semiconductor Corp. sr. sub. notes 10 1/8s, 2007

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### Shipping (0.2%)

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65,000 International Shipholding Corp. sr. notes 9s, 2003  
250,000 Kitty Hawk, Inc. company guaranty 9.95s, 2004 (In default) (NON)  
1,270,000 Navistar International Corp. sr. notes Ser. B, 8s, 2008  
130,000 Newport News Shipbuilding, Inc. sr. notes 8 5/8s, 2006

### Software (--%)

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410,000 Telehub Communications Corp. company guaranty  
stepped-coupon zero % (13 7/8s, 7/31/02), 2005  
(In default) (NON) (STP)

### Specialty Printing (0.2%)

---

1,390,000 Perry-Judd company guaranty 10 5/8s, 2007  
94,414 Von Hoffman Press, Inc. 144A sr. sub. notes 13 1/2s, 2009  
100,000 Von Hoffman Press, Inc. 144A sr. sub. notes 10 3/8s, 2007

### Technology (0.8%)

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390,000 Amkor Technologies, Inc. structured notes  
(issued by STEERS Credit Linked Trust 2000)  
12.58s, 2005  
280,000 Amkor Technologies, Inc. sr. sub. notes 10 1/2s, 2009  
690,000 Amkor Technologies, Inc. sr. notes 9 1/4s, 2008  
410,000 Amkor Technologies, Inc. sr. notes 9 1/4s, 2006  
1,520,000 Flextronics International, Ltd. sr. sub. notes 9 7/8s, 2010  
(Singapore)  
215,000 Flextronics International, Ltd. sr. sub. notes Ser. B, 8 3/4s, 2007  
(Singapore)  
450,000 SCG Holding & Semiconductor Corp. company guaranty  
12s, 2009  
705,000 Telecommunications Techniques, Inc. company guaranty  
9 3/4s, 2008  
1,400,000 Viasystems, Inc. sr. notes Ser. B, 9 3/4s, 2007  
270,000 Viasystems, Inc. sr. sub. notes 9 3/4s, 2007  
350,000 Xerox Cap Europe PLC company guaranty 5 7/8s, 2004  
(United Kingdom)  
150,000 Xerox Corp. notes 5 1/2s, 2003

### Technology Services (0.9%)

---

2,430,000 Cybernet Internet Services Intl., Inc. 144A sr. disc. notes  
stepped-coupon zero % (13s, 8/15/04), 2009 (STP)  
850,000 Equinix, Inc. sr. notes 13s, 2007  
1,760,000 Exodus Communications, Inc. sr. notes 11 5/8s, 2010  
220,000 Exodus Communications, Inc. 144A sr. notes 11 1/4s, 2008  
940,000 Exodus Communications, Inc. sr. notes 10 3/4s, 2009  
1,250,000 Firstworld Communication Corp. sr. disc. notes  
stepped-coupon zero % (13s, 4/15/03), 2008 (STP)  
1,500,000 Globix Corp. sr. notes 12 1/2s, 2010  
710,000 Intira Corp. stepped-coupon zero % (13s, 2/1/05), 2010  
(acquired 1/31/00, cost \$378,366) (RES) (STP)  
1,150,000 Iron Mountain, Inc. company guaranty 8 3/4s, 2009

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270,000 Pierce Leahy Command Co. company guaranty  
8 1/8s, 2008 (Canada)  
700,000 Pierce Leahy Corp. sr. sub. notes 11 1/8s, 2006  
530,000 PSINet, Inc. sr. notes 11 1/2s, 2008  
840,000 PSINet, Inc. sr. notes 11s, 2009  
130,000 PSINet, Inc. sr. notes Ser. B, 10s, 2005

### Telecommunications (4.6%)

---

1,070,000 360Networks, Inc. sr. notes 13s, 2008 (Canada)  
820,000 American Cellular Corp. 144A sr. sub notes 9 1/2s, 2009  
613,027 American Cellular Corp. bank term loan FRN Ser. C,  
8.53s, 2008 (acquired 2/29/00, cost \$613,027) (RES)  
1,480,000 American Tower Corp. 144A sr. notes 9 3/8s, 2009  
400,000 Arch Communications, Inc. sr. notes 13 3/4s, 2008  
230,000 Asia Global Crossing, Ltd. sr. notes 13 3/8s, 2010 (Bermuda)  
1,210,000 BTI Telecom Corp. sr. notes 10 1/2s, 2007  
400,000 Call-Net Enterprises, Inc. sr. notes 8s, 2008 (Canada)  
180,000 Carrier1 Intl. S.A. sr. notes Ser. B, 13 1/4s, 2009 (Luxembourg)  
1,780,000 Celcaribe S.A. sr. notes 13 1/2s, 2004  
900,000 Colo.com, Inc. sr. notes 13 7/8s, 2010  
145,000 Covad Communications Group, Inc. sr. disc. notes  
stepped-coupon Ser. B, zero % (13 1/2s, 3/15/03), 2008 (STP)  
600,000 Covad Communications Group, Inc. sr. notes 12 1/2s, 2009  
30,000 Covad Communications Group, Inc. sr. notes Ser. B, 12s, 2010  
350,000 Crown Castle International Corp. sr. disc. notes  
stepped-coupon zero % (11 1/4s, 8/1/04), 2011 (STP)  
1,330,000 Crown Castle International Corp. sr. notes 10 3/4s, 2011  
200,000 Dobson Communications Corp. sr. notes 10 7/8s, 2010  
940,000 Dobson/Sygnnet Communications, Inc. sr. notes 12 1/4s, 2008  
1,500,000 Econophone, Inc. company guaranty 13 1/2s, 2007  
(In default) (NON)  
535,000 Esprit Telecom Group PLC sr. notes 11 1/2s, 2007  
(United Kingdom) (In default) (NON)  
110,000 FLAG Telecom Holdings, Ltd. sr. notes 11 5/8s, 2010  
(Bermuda)  
810,000 FLAG, Ltd. 144A sr. notes 8 1/4s, 2008 (Bermuda)  
830,000 Global Crossing Holdings, Ltd. company guaranty 9 5/8s, 2008  
730,000 Global Crossing Holdings, Ltd. company guaranty 9 1/2s, 2009  
(Bermuda)  
800,000 Global Crossing Holdings, Ltd. 144A sr. notes 8.7s, 2007  
(Bermuda)  
50,000 Hermes Europe Railtel 144A sr. notes 11 1/2s, 2007  
(Netherlands)  
120,000 Hermes Europe Railtel sr. notes 10 3/8s, 2009  
1,280,000 Level 3 Communication, Inc. sr. notes 11s, 2008  
500,000 Level 3 Communication, Inc. sr. notes 9 1/8s, 2008  
1,040,000 Maxcom Telecomunicaciones SA de CV company guaranty  
Ser. B, 13 3/4s, 2007 (Mexico)  
940,000 McCaw International, Ltd. sr. disc. notes stepped-coupon  
zero % (13s, 4/15/02), 2007 (STP)  
220,000 Metrocall, Inc. sr. sub. notes 11s, 2008 (In default) (NON)  
180,000 Metrocall, Inc. sr. sub. notes 10 3/8s, 2007 (In default) (NON)  
190,000 Metrocall, Inc. sr. sub. notes 9 3/4s, 2007  
1,481,000 Millicom International Cellular S.A. sr. disc. notes  
stepped-coupon zero % (13 1/2s, 6/1/01), 2006  
(Luxembourg) (STP)  
1,180,000 Nextel Communications, Inc. sr. notes 12s, 2008  
4,420,000 Nextel Communications, Inc. 144A sr. notes 9 1/2s, 2011  
1,350,000 Nextel International, Inc. sr. notes 12 3/4s, 2010

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480,000 Nextel Partners, Inc. sr. notes 11s, 2010  
 370,000 Nextel Partners, Inc. sr. notes 11s, 2010  
 610,000 NorthEast Optic Network, Inc. sr. notes 12 3/4s, 2008  
 620,000 Orbital Imaging Corp. sr. notes Ser. B, 11 5/8s, 2005  
 (In default) (NON)  
 410,000 Orion Network systems, Inc. sr. notes 11 1/4s, 2007  
 950,000 Pagemart Wireless, Inc. sr. disc. notes stepped-coupon zero %  
 (11 1/4s, 2/1/03), 2008 (STP)  
 1,680,000 Pinnacle Holdings, Inc. sr. disc. notes stepped-coupon zero %  
 (10s, 3/15/03), 2008 (STP)  
 645,000 Price Communications Wireless, Inc. 144A sr. notes  
 9 1/8s, 2006  
 970,000 Primus Telecommunications Group, Inc. sr. notes Ser. B,  
 9 7/8s, 2008  
 110,000 Rhythms Netconnections, Inc. sr. notes Ser. B, 14s, 2010  
 650,000 Rogers Cantel, Inc. sr. sub. notes 8.8s, 2007 (Canada)  
 710,000 RSL Communications PLC company guaranty 12 7/8s, 2010  
 (United Kingdom) (In default) (NON)  
 450,000 RSL Communications PLC 144A company guaranty  
 10 1/2s, 2008 (United Kingdom) (In default) (NON)  
 500,000 RSL Communications PLC company guaranty  
 stepped-coupon zero % (10 1/8s, 3/1/03), 2008  
 (In default) (NON) (STP)  
 70,000 RSL Communications PLC company guaranty 9 1/8s, 2008  
 (In default) (NON)  
 770,000 RSL Communications, Ltd. company guaranty 12 1/4s, 2006  
 (Bermuda) (In default) (NON)  
 750,000 SBA Communications Corp. 144A sr. notes 10 1/4s, 2009  
 800,000 Spectrasite Holdings, Inc. sr. disc. notes stepped-coupon Ser. B,  
 zero % (12 7/8s, 3/15/05), 2010 (STP)  
 720,000 Spectrasite Holdings, Inc. sr. disc. notes stepped-coupon zero %  
 (11 1/8s, 4/15/04), 2009 (STP)  
 30,000 USA Mobile Communication, Inc. sr. notes 9 1/2s, 2004  
 270,000 Viatel, Inc. sr. disc. notes stepped-coupon zero %  
 (12 1/2s, 4/15/03), 2008 (In default) (NON) (STP)  
 1,760,000 Viatel, Inc. sr. notes 11 1/4s, 2008 (In default) (NON)  
 1,500,000 Western Wireless Corp. notes 8.65s, 2008  
 1,420,000 Williams Communications Group, Inc. sr. notes 11.7s, 2010  
 650,000 Williams Communications Group, Inc. sr. notes 11.7s, 2008  
 1,540,000 Williams Communications Group, Inc. sr. notes 10 7/8s, 2009  
 200,000 Williams Communications Group, Inc. sr. notes 10.7s, 2007  
 900,000 World Access, Inc. sr. notes Ser. B, 13 1/4s, 2008

### Telephone (3.0%)

200,000 Airgate PCS, Inc. sr. sub. notes stepped-coupon zero %  
 (13 1/2s, 10/1/04), 2009 (STP)  
 350,000 Allegiance Telecom, Inc. sr. notes 12 7/8s, 2008  
 420,000 Allegiance Telecom, Inc. sr. disc. notes stepped-coupon  
 Ser. B, zero % (11 3/4s, 2/15/03), 2008 (STP)  
 460,000 Birch Telecommunications, Inc. sr. notes 14s, 2008  
 480,000 CFW Communications Co. sr. notes 13s, 2010  
 710,000 Focal Communications Corp. sr. sub. notes stepped-coupon  
 Ser. B, zero % (12 1/8s, 2/15/03), 2008 (STP)  
 110,000 Focal Communications Corp. sr. notes 11 7/8s, 2010  
 1,050,000 Horizon PCS, Inc. 144A company guaranty stepped-coupon  
 14s (14s, 10/1/05), 2010 (STP)  
 530,000 Hyperion Telecommunications Corp., Inc. sr. sub. notes  
 12s, 2007  
 2,420,000 ICG Holdings, Inc. sr. sub. notes 13 1/2s, 2005 (In default) (NON)

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10,000 ICG Holdings, Inc. company guaranty stepped-coupon zero % (12 1/2s, 5/1/01), 2006 (In default) (NON) (STP)  
 550,000 Intermedia Communications, Inc. sr. disc. notes stepped-coupon Ser. B, zero % (12 1/4s, 3/1/04), 2009 (STP)  
 60,000 Intermedia Communications, Inc. sr. notes Ser. B, 8.6s, 2008  
 430,000 Intermedia Communications, Inc. sr. notes Ser. B, 8 1/2s, 2008  
 910,000 IPCS, Inc. sr. disc. notes stepped-coupon zero % (14s, 7/15/05), 2010 (STP)  
 2,445,000 KMC Telecommunications Holdings, Inc. sr. disc. notes stepped-coupon zero % (12 1/2s, 2/15/03), 2008 (STP)  
 720,000 Leap Wireless International, Inc. company guaranty 12 1/2s, 2010  
 1,330,000 Madison River Capital Corp. sr. notes 13 1/4s, 2010  
 1,580,000 McLeodUSA, Inc. sr. notes 9 1/2s, 2008  
 950,000 Metromedia Fiber Network, Inc. sr. notes 10s, 2009  
 700,000 Metromedia Fiber Network, Inc. sr. notes Ser. B, 10s, 2008  
 840,000 Microcell Telecommunications sr. disc. notes stepped-coupon Ser. B, zero % (14s, 12/1/01), 2006 (Canada) (STP)  
 540,000 Nextlink Communications, Inc. sr. disc. notes stepped-coupon zero % (12 1/4s, 6/1/04), 2009 (STP)  
 130,000 Nextlink Communications, Inc. sr. notes 10 3/4s, 2009  
 140,000 Nextlink Communications, Inc. sr. notes 10 1/2s, 2009  
 1,000,000 Startec Global Communications Corp. sr. notes 12s, 2008  
 320,000 Tele1 Europe B.V. sr. notes 13s, 2009 (Netherlands)  
 1,110,000 Telecorp PCS, Inc. company guaranty 10 5/8s, 2010  
 990,000 Time Warner Telecom, Inc. sr. notes 10 1/8s, 2011  
 510,000 Time Warner Telecom, Inc. sr. notes 9 3/4s, 2008  
 370,000 Transtel S.A. pass thru certificates 12 1/2s, 2007 (In default) (NON)  
 890,000 Tritel PCS, Inc. 144A sr. sub notes 10 3/8s, 2011  
 720,000 Triton PCS, Inc. 144A sr. sub notes 9 3/8s, 2011  
 1,670,000 UbiquiTel Operating Co. company guaranty stepped-coupon zero % (14s, 4/15/05), 2010 (STP)  
 1,250,000 US Unwired, Inc. company guaranty stepped-coupon Ser. B, zero % (13 3/8s, 11/1/04), 2009 (STP)  
 510,000 Versatel Telecom N.V. sr. notes 13 1/4s, 2008 (Netherlands)  
 180,000 Versatel Telecom N.V. sr. notes 13 1/4s, 2008 (Netherlands)  
 3,520,000 Voicestream Wireless Corp. sr. notes 10 3/8s, 2009  
 3,976,000 WinStar Communications, Inc. sr. disc. notes stepped-coupon zero % (14 3/4s, 4/15/05), 2010 (In default) (NON) (STP)  
 240,000 WinStar Communications, Inc. sr. notes 12 3/4s, 2010 (In default) (NON)  
 10,000 WinStar Communications, Inc. sr. notes 12 1/2s, 2008 (In default) (NON)  
 310,000 XO Communications, Inc. sr. disc. notes stepped-coupon zero % (9.45s, 4/15/03), 2008 (STP)

Textiles (1.0%)

560,000 Galey & Lord, Inc. company guaranty 9 1/8s, 2008  
 905,000 Guess Jeans, Inc. sr. sub. notes 9 1/2s, 2003  
 315,000 Kasper A.S.L., Ltd. sr. notes 12 3/4s, 2004 (In default) (NON)  
 2,200,000 Levi Strauss & Co. 144A sr. notes 11 5/8s, 2008  
 220,000 Tommy Hilfiger USA, Inc. company guaranty 6 1/2s, 2003  
 320,000 Westpoint Stevens, Inc. sr. notes 7 7/8s, 2008  
 2,060,000 Westpoint Stevens, Inc. sr. notes 7 7/8s, 2005  
 405,000 William Carter Holdings Co. sr. sub. notes Ser. A, 12s, 2008  
 1,000,000 William Carter Holdings Co. sr. sub. notes Ser. A, 10 3/8s, 2006

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### Tobacco (0.1%)

-----  
1,255,000 North Atlantic Trading Co. company guaranty Ser. B, 11s, 2004

### Transportation (0.2%)

-----  
1,841,085 Transportation Tech. Bank term loan FRN Ser. B, 8.91s, 2007  
(acquired 2/29/00, cost \$1,836,482) (RES)

### Utilities (0.1%)

-----  
1,470,000 Cathay International, Ltd. 144A sr. notes 13s, 2008 (China)

### Waste Management (0.8%)

-----  
2,590,000 Allied Waste Industries, Inc. company guaranty Ser. B, 10s, 2009  
2,170,000 Allied Waste Industries, Inc. 144A company guaranty  
8 7/8s, 2008  
370,000 Allied Waste Industries, Inc. company guaranty Ser. B,  
7 5/8s, 2006  
410,000 Waste Management, Inc. sr. notes 7 3/8s, 2010

### Water Utilities (0.1%)

-----  
370,000 Azurix Corp. sr. notes Ser. B, 10 3/4s, 2010  
310,000 Azurix Corp. sr. notes Ser. B, 10 3/8s, 2007

Total Corporate Bonds and Notes (cost \$400,435,155)

### U.S. GOVERNMENT AND AGENCY OBLIGATIONS (16.9%) (a) PRINCIPAL AMOUNT

#### U.S. Government Agency Mortgage Obligations (9.1%)

-----  
Federal Home Loan Mortgage Association  
\$ 41,833 6 1/2s, September 1, 2002  
4,315,406 6s, June 1, 2029  
Federal National Mortgage Association  
Pass-Through Certificates  
788 8 1/2s, March 1, 2006  
19,083,011 8s, with due dates from July 1, 2028 to March 1, 2031  
3,145,558 7 1/2s, with due dates from January 1, 2030 to July 1, 2030  
230,000 6 5/8s, September 15, 2009  
9,978 6 1/2s, August 1, 2010  
1,369,000 6s, April 1, 2031  
Government National Mortgage Association  
Pass-Through Certificates  
26,951 8s, July 15, 2023  
3,044,374 7 1/2s, with due dates from July 15, 2029  
to January 15, 2030  
4,482,136 7s, with due dates from January 15, 2025  
to December 15, 2028  
301,566 6 1/2s, January 15, 2029  
40,000,000 U.S. Treasury Strip zero %, August 15, 2009

#### U.S. Treasury Obligations (7.8%)



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U.S. Treasury Notes  
 8,510,000 6 1/2s, February 15, 2010 (SEG)  
 2,815,000 6 1/8s, August 15, 2007  
 36,855,000 5 3/4s, August 15, 2010  
 2,605,000 5s, February 15, 2011

Total U.S. Government and Agency Obligations  
 (cost \$111,942,393)

FOREIGN GOVERNMENT BONDS AND NOTES (15.6%) (a)  
 PRINCIPAL AMOUNT

USD 5,290,000 Argentina (Republic of) unsub. 11 3/4s, 2009  
 USD 7,795,000 Brazil (Federal Republic of) notes 14 1/2s, 2009  
 CAD 2,465,000 Canada (Government of) bonds 6s, 2011  
 CAD 9,250,000 Canada (Government of) bonds Ser. WH31, 6s, 2008  
 CAD 1,630,000 Canada (Government of) bonds 5 1/2s, 2010  
 USD 450,000 Colombia (Republic of) unsub. 9 3/4s, 2009  
 EUR 9,750,000 Germany (Federal Republic of) bonds Ser. 97, 6s, 2007  
 EUR 10,650,000 Germany (Federal Republic of) bonds Ser. 97, 6s, 2007  
 EUR 15,310,000 Germany (Federal Republic of) bonds Ser. 132,  
 4 1/8s, 2004  
 GRD 6,838,811 Hellenic Greece (Republic of) bonds 6s, 2010  
 EUR 16,250,000 Italy (Government of) treasury bonds 5 1/2s, 2010  
 USD 915,556 Morocco (Government of) bonds Ser. A, 6.844s, 2009  
 NZD 7,365,000 New Zealand (Government of) bonds Ser. 709,  
 7s, 2009  
 USD 11,290,000 Russia (Federation of) unsub. 10s, 2007  
 USD 5,395,000 Russia (Federation of) unsub. 8 1/4s, 2010  
 GBP 4,030,000 United Kingdom Treasury bonds 7 1/4s, 2007  
 USD 8,370,000 United Mexican States bonds Ser. XW, 10 3/8s, 2009

Total Foreign Government Bonds and Notes  
 (cost \$109,622,444)

COLLATERALIZED MORTGAGE OBLIGATIONS (6.2%) (a)  
 PRINCIPAL AMOUNT

\$ 4,100,000 Amresco Commercial Mortgage Funding I Ser. 97-C-1,  
 Class F, 7.64s, 2029  
 1,660,000 Commercial Mortgage Acceptance Corp. Ser. 97-ML1,  
 Class D, 6.821s, 2010  
 54,377,279 Commercial Mortgage Asset Trust Ser. 99-C1, Class X,  
 Interest Only (IO), 7.649s, 2020  
 31,143,589 Deutsche Mortgage & Asset Receiving Corp. Ser. 98-C1,  
 Class X, IO, 1.22s, 2031  
 Fannie Mae Strip  
 1,054,234 Ser. 203, Class 2, IO, 8s, 2023  
 829,348 Ser. 251, Class 2, IO, 8s, 2023  
 7,628,597 Ser. 221, Class 2, IO, 7 1/2s, 2023  
 3,628,479 Ser. 97-91, Class SL, IO, 7 1/2s, 2023  
 1,149,140 Ser. 222, Class 2, IO, 7s, 2023  
 4,982,937 Federal National Mortgage Association Ser. 98-66,  
 Class SB, IO, 3.1s, 2028  
 8,917,408 FFCA Secured Lending Corp. Ser. 00-1, Class IO, 1.723s, 2027

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	Freddie Mac
5,523,047	Ser. 183, Class IO, 7s, 2027
410,456	Ser. 1717, Class, L, 6 1/2s, 2024
1,434,000	Ser. 2044, Class SG, IO, 6 1/2s, 2023
226,193	Ser. 180, Class Principal Only (PO), zero %, 2026
1,990,000	General Growth Properties Ala Moa Ser. 99-C1, Class E, 7.48s, 2009
410,000	General Growth Properties-Homart 144A Ser. 99-C1, Class G, 8.072s, 2003
	General Growth Properties-Ivanhoe
510,000	Ser. 99-C1, Class G, 8.48s, 2004
862,000	Ser. 99-C1, Class F, 7.73s, 2004
	Government National Mortgage Association
7,782,602	Ser. 99-43, Class SJ, IO, 8 1/2s, 2029
1,732,933	Ser. 00-17, Class SB, 7 1/2s, 2026
1,309,733	Ser. 98-2, Class EA, PO, zero %, 2028
1,031,182	Ser. 99-42, PO, zero %, 2027
1,075,000	Granite Mortgages PLC FRN Ser. 01-1, Class 1C, 6.192s, 2041 (United Kingdom)
5,065,000	Holmes Financing PLC Ser. 1, Class 2C, 5.91s, 2040
	Merrill Lynch Mortgage Investors, Inc.
19,934,731	Ser. 96-C2, IO, 9.045s, 2028
17,340,627	Ser. 98-C2, IO, 7.86s, 2030
1,070,000	Ser. 96-C2, Class E, 6.96s, 2028
4,330,000	Ser. 98-C2, Class D, 6.633s, 2030
1,150,000	Ser. 98-C2, Class F, 6 1/4s, 2030
6,034,433	Mortgage Capital Funding, Inc. Ser. 97-MC2, Class X, IO, 0.935s, 2012
159,276	Prudential Home Mortgage Securities Ser. 93-57, Class A4, 5.9s, 2023
345,620	Rural Housing Trust Ser. 87-1, Class D, 6.33s, 2026
2,500,000	Starwood Asset Receivables Trust Ser. 00-1, Class E, 7.8s, 2005
	Total Collateralized Mortgage Obligations (cost \$41,254,734)

BRADY BONDS (2.2%) (a)  
PRINCIPAL AMOUNT

\$	4,995,200	Argentina (Republic of) debs. FRB 7 5/8s, 2005
	7,595,000	Brazil (Federal Republic of) govt guaranty Ser. 18YR, FRN 7 11/16s, 2012
	3,500,000	Bulgaria (Government of) deb. Ser. PDI, 6.688s, 2011
	3,499,965	Venezuela (Republic of) deb. Ser. DL, 7s, 2007
		Total Brady Bonds (cost \$15,822,581)

PREFERRED STOCKS (1.6%) (a)  
NUMBER OF SHARES

10,309	AmeriKing, Inc. \$3.25 cum. pfd. (PIK)
56,000	California Federal Bancorp, Inc. Ser. A, \$2.28 pfd.
30,000	Chevy Chase Capital Corp. Ser. A, \$5.19 pfd. (PIK)
3,150	Chevy Chase Savings Bank, Inc. \$3.25 pfd.
18,412	CSC Holdings, Inc. Ser. M, \$11.13 cum. pfd. (PIK)
19,200	Diva Systems Corp. Ser. C, 6.00% cum. pfd.
1,722	Dobson Communications Corp. 144A 12.25% pfd. (PIK)
320	First Republic 144A 10.50% pfd.
11,765	Fitzgeralds Gaming Corp. \$3.75 cum. pfd.
1,049	Granite Broadcasting Corp. 144A 12.75% pfd. (PIK)

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2,019 ICG Holdings, Inc. 144A 14.00% pfd. (Canada)  
(In default) (NON) (PIK)  
1,184 Intermedia Communications, Inc. Ser. B, 13.50% pfd. (PIK)  
213 Paxson Communications Corp. 144A 13.25% cum. pfd. (PIK)  
1,036 Rural Cellular Corp. 12.25% pfd. (PIK)  
17 XO Communications, Inc. Ser. B, 13.50% pfd.

Total Preferred Stocks (cost \$14,789,646)

### ASSET-BACKED SECURITIES (1.4%) (a)

#### PRINCIPAL AMOUNT

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\$ 7,205,000 Conseco Finance Securitization Ser. 00-4, Class A6, 8.31s, 2032  
1,100,000 Conseco Finance Securitization Ser. 00-6, Class M2, 8.2s, 2032  
978,169 Resolution Trust Corp. Ser. 94-1, Class M1, 7.14s, 2029

Total Asset-Backed Securities (cost \$9,152,088)

### CONVERTIBLE BONDS AND NOTES (0.6%) (a)

#### PRINCIPAL AMOUNT

---

\$ 370,000 Amkor Technologies, Inc. cv. sub. notes 5s, 2007  
360,000 Davita, Inc. cv. sub. notes 7s, 2009  
1,840,000 Exide Corp. 144A cv. sr. sub. notes 2.9s, 2005  
490,000 Healthsouth Corp. cv. sub. deb. 3 1/4s, 2003  
280,000 Hexcel Corp. cv. sub. notes 7s, 2003  
970,000 Level 3 Communication, Inc. cv. sub. deb. 6s, 2010  
500,000 Nextel Communications, Inc. cv. sr. notes 5 1/4s, 2010  
310,000 Rogers Communications cv. deb. 2s, 2005 (Canada)  
160,000 Spectrasite Holdings, Inc. cv. sr. notes 6 3/4s, 2010  
970,000 Telewest Finance Corp. cv. sub. notes 6s, 2005  
(United Kingdom)

Total Convertible Bonds and Notes (cost \$4,052,212)

### COMMON STOCKS (0.2%) (a)

#### NUMBER OF SHARES

---

150 AmeriKing, Inc. (NON)  
28,107 Arch Wireless, Inc. (NON)  
17,092 Aurora Foods, Inc. (NON)  
2,955 Axia Holding, Inc. 144A (NON) (PIK)  
149,352 Celcaribe S.A. (NON)  
23,404 Fitzgeralds Gaming Corp. (NON)  
6,795 MGC Communications, Inc. (NON)  
327 Premium Holdings (L.P.) 144A (NON)  
715 PSF Holdings LLC Class A (NON)  
11 Safety Components International, Inc. (NON)  
10,050 Specialty Foods Acquisition Corp. (NON)  
1,335 Vast Solutions, Inc. Class B1 (NON)  
1,335 Vast Solutions, Inc. Class B2 (NON)  
1,335 Vast Solutions, Inc. Class B3 (NON)

Total Common Stocks (cost \$2,793,628)

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CONVERTIBLE PREFERRED STOCKS (0.2%) (a)  
NUMBER OF SHARES

---

6,500	Global Crossing Ltd. 7.00% cv. pfd.	
	520 Interact Systems, Inc. 144A 14.00% cv. pfd.	
3,800	LTV Corp. (The) 144A \$4.13 cv. pfd.	
	35 Paxson Communications Corp. 144A \$9.75 cv. pfd. (PIK)	
115	World Access, Inc. 144A Ser. D, zero % cv. pfd.	
Total Convertible Preferred Stocks (cost \$1,494,391)		

UNITS (0.2%) (a)  
NUMBER OF UNITS

---

600	Australis Media, Ltd. units 15 3/4s, 2003 (Australia) (In default) (NON)	
590	IWO Holdings, Inc. 144A units 14s, 2011	
400	ONO Finance PLC 144A units 14s, 2011 (United Kingdom)	
840	Pegasus Shipping 144A company guaranty stepped-coupon zero % (14 1/2s, 6/20/03), 2008 (Bermuda) (acquired 6/23/98, cost \$417,816) (STP) (RES)	
500	XCL, Ltd. 144A units 13 1/2s, 2004 (In default) (NON)	
Total Units (cost \$2,726,607)		

WARRANTS (0.1%) (a) (NON)  
NUMBER OF WARRANTS

EXPIRATION  
DATE

---

	4 Anker Coal Group, Inc. 144A	10/28/0
1,150	Asia Pulp & Paper Co., Ltd. 144A (In default) (NON)	3/15/05
480	Bestel S.A. de C.V.	5/15/05
460	Birch Telecommunications, Inc. 144A (PIK)	6/15/08
2,428	CellNet Data Systems, Inc.	10/1/07
900	Colo.com, Inc. 144A	3/15/10
1,500	Comunicacion Cellular 144A (Colombia)	11/15/0
1,020	Dayton Superior Corp.	6/15/09
90	Decrane Aircraft Holdings Co.	9/30/08
14,628	Delta Financial Corp.	12/21/1
475	Diva Systems Corp.	5/15/06
8,173	Diva Systems Corp. 144A	3/1/08
830	Epic Resorts 144A	6/15/05
680	Firstworld Communication Corp.	4/15/08
1,050	Horizon PCS, Inc.	10/1/01
9,768	ICG Communications	10/15/0
520	Interact Systems, Inc.	8/1/03
520	Interact Systems, Inc. 144A	12/15/0
245	International Wireless Communications Holdings 144A	8/15/01
11,713	Intira Corp. Class A (acquired 1/31/00, cost \$117) (RES)	2/1/10
69,097	Intira Corp. Class B	9/29/10
910	IPCS, Inc. 144A	7/15/10
400	Iridium World Com 144A	7/15/05
1,140	Jostens, Inc.	5/1/10
2,085	KMC Telecommunications Holdings, Inc. 144A	4/15/08
1,180	Knology Holdings	10/22/0
720	Leap Wireless International, Inc. 144A	4/15/10

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1,040 Maxcom Telecomunicaciones SA de CV 144A (Mexico)	4/1/07
930 McCaw International, Ltd.	4/15/07
560 Mediq, Inc. 144A	6/1/09
760 Ntelos, Inc.	8/15/10
620 Orbital Imaging Corp. 144A	3/1/05
1,840 Pagemart, Inc. 144A	12/31/0
960 Paxson Communications Corp. 144A	6/30/03
410 Pliant Corp. 144A	6/1/10
790 Railamerica, Inc.	8/15/10
1,220 Raintree Resort 144A	12/1/04
860 Startec Global Communications Corp.	5/15/08
185 Sterling Chemicals Holdings	8/15/08
410 Telehub Communications Corp. 144A	7/31/05
1,830 Travel Centers of America	5/1/09
1,670 Ubiquitel, Inc. 144A	4/15/10
1,260 UIH Australia/Pacific, Inc. 144A	5/15/06
30 Versatel Telecom N.V. (Netherlands)	5/15/08
100 Wright Medical Technology, Inc. 144A	6/30/03
590 XM Satellite Radio Holdings, Inc. 144A	3/15/10
Total Warrants (cost \$958,816)	

PURCHASED OPTIONS OUTSTANDING (--%) (a)	EXPIRATION DATE/ STRIKE PRICE
CONTRACT AMOUNT	

\$ 1,000,000 USD/JPY Call	May 01/137 JPY
3,702,000 USD/GBP Call	Apr-01/1.4 GBP
3,702,000 USD/GBP Call	Apr-01/1.4 GBP

Total Purchased Options Outstanding (cost \$288,953)

SHORT-TERM INVESTMENTS (3.3%) (a)  
PRINCIPAL AMOUNT

\$ 2,000,000 UBS Finance LLC effective yield of 5.5%, April 2, 2026
20,721,000 Interest in \$500,000,000 joint tri-party repurchase agreement dated March 30, 2001 with Credit Suisse First Boston due April 2, 2001 with respect to various U.S. Government obligations -- maturity value of \$20,730,255 for an effective yield of 5.36%

Total Short-Term Investments (cost \$22,720,083)

Total Investments (cost \$738,053,731) (b)

(a) Percentages indicated are based on net assets of \$694,897,897.

(b) The aggregate identified cost on a tax basis is \$739,033,188, resulting in gross unrealized appreciation and depreciation of \$19,567,944 and \$79,858,962, respectively, or net unrealized depreciation of \$60,291,018.

(NON) Non-income-producing security.

(STP) The interest rate and date shown parenthetically represent the new interest rate to be paid and the date the fund will begin receiving

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interest at this rate.

- (RES) Restricted, excluding 144A securities, as to public resale. The total market value of restricted securities held at March 31, 2001 was \$8,439,539 or 1.2% of net assets.
- (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, forward currency contracts and written options at March 31, 2001.

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.

The rates shown on Floating Rate Bonds (FRB) and Floating Rate Notes (FRN) are the current interest rates shown at March 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 March 31, 2001: (as percentage of Market

Argentina	1.3%
Brazil	2.0
Canada	2.6
Germany	4.9
Greece	0.9
Italy	2.2
Mexico	1.8
Russia	1.8
United Kingdom	2.1
United States	76.7
Other	3.7
	----
Total	100.0%

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 Forward Currency Contracts to Buy at March 31, 2001 (Unaudited)  
 (aggregate face value of \$137,435,432)

	Market Value	Aggregate Face Value	Delivery Date	Unrealized Appreciation/ (Depreciation)
Australian Dollars	\$ 2,512,955	\$ 2,590,332	6/20/2001	\$ (77,377)
British Pounds	5,449,150	5,573,045	6/20/2001	(123,895)
Canadian Dollar	12,094,377	12,281,881	6/20/2001	(187,504)
Danish Krone	764,200	801,462	6/20/2001	(37,262)
Euro	55,490,266	57,766,391	6/20/2001	(2,276,125)
Japanese Yen	54,992,687	57,594,089	6/20/2001	(2,601,402)
Swedish Krona	660,843	694,527	6/20/2001	(33,684)
Swiss Franc	133,771	133,705	6/20/2001	66

-----  
 \$ (5,337,183)  
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Forward Currency Contracts to Sell at March 31, 2001 (Unaudited)  
 (aggregate face value of \$153,775,909)

	Market Value	Aggregate Face Value	Delivery Date	Unrealized Appreciation
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Australian Dollars	\$ 1,190,542	\$ 1,200,492	6/12/2001	\$ 9,950
British Pounds	2,725,707	2,787,768	6/20/2001	62,061
Canadian Dollar	15,104,023	15,334,871	6/20/2001	230,848
Euro	81,272,258	84,266,001	6/20/2001	2,993,743
Japanese Yen	45,028,449	47,061,917	6/20/2001	2,033,468
New Zealand Dollar	3,005,847	3,124,860	6/20/2001	119,013
				\$5,449,083

Futures Contracts Outstanding at March 31, 2001 (Unaudited)

	Total Value	Aggregate Face Value	Expiration Date	Unrealized Appreciation/ (Depreciation)
3 Month Libor (long)	\$12,082,717	\$12,071,971	Sep-01	\$ 10,746
3 Month Libor (short)	12,061,572	12,056,969	Jun-02	(4,603)
Eurodollar 3 Month (short)	6,213,350	6,201,540	Jun-02	(11,810)
Eurodollar 3 Month (long)	6,209,775	6,195,911	Dec-01	13,864
Eurodollar 3 Month (short)	4,066,825	4,040,762	Sep-01	(26,063)
Eurodollar 3 Month (long)	4,056,838	4,030,263	Mar-02	26,575
JGB 10 Yr. (long)	7,226,776	7,195,815	Jun-01	30,961
US Treasury 10 Yr. (long)	10,301,703	10,273,319	Jun-01	28,384
				\$ 68,054

Swap Contracts Outstanding at March 31, 2001 (Unaudited)

	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%.	\$6,500,000	Nov-05	\$343,684

Written Call Options Outstanding at March 31, 2001 (Unaudited)  
(premium received \$22,742)

Contract Amount	Expiration Date/ Strike Price	Market Value
\$1,000,000,000 U.S. Dollars in Exchange for Japanese Government Bond	Jun-01/JGB 141.5	\$23,943

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

### STATEMENT OF ASSETS AND LIABILITIES March 31, 2001 (Unaudited)

#### Assets

Investments in securities, at value (identified cost \$738,053,731) (Note 1)	\$678,742,170
Cash	2,562,777
Foreign currency (cost \$331,065)	321,662
Dividends, interest and other receivables	13,971,416
Receivable for securities sold	36,039,389
Receivable for variation margin (Note 1)	21,437
Receivable for open swap contracts (Note 1)	343,684
Receivable for open forward currency contracts (Note 1)	5,449,149
Receivable for closed forward currency contracts (Note 1)	155,271
<b>Total assets</b>	<b>737,606,955</b>

#### Liabilities

Distributions payable to shareholders	5,284,396
Payable for securities purchased	30,456,353
Payable for compensation of Manager (Note 2)	1,252,913
Payable for investor servicing and custodian fees (Note 2)	121,723
Payable for compensation of Trustees (Note 2)	61,561
Payable for administrative services (Note 2)	2,423
Payable for written options outstanding (premiums received \$22,742) (Notes 1 and 3)	23,943
Payable for open forward currency contracts (Note 1)	5,337,249
Payable for closed forward currency contracts (Note 1)	86,000
Other accrued expenses	82,497
<b>Total liabilities</b>	<b>42,709,058</b>
<b>Net assets</b>	<b>\$694,897,897</b>



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Represented by

Paid-in capital (Notes 1 and 4)	\$861,575,486
Distributions in excess of net investment income (Note 1)	(20,158,738)
Accumulated net realized loss on investment and foreign currency transactions (Note 1)	(87,059,270)
Net unrealized depreciation of investments and assets and liabilities in foreign currencies	(59,459,581)
<b>Total -- Representing net assets applicable to capital shares outstanding</b>	<b>\$694,897,897</b>
Computation of net asset value	
Net asset value per share (\$694,897,897 divided by 100,133,127 shares)	\$6.94

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

### STATEMENT OF OPERATIONS

Six months ended March 31, 2001 (Unaudited)

Investment income:

Interest income	\$ 32,540,220
Dividends	769,874
<b>Total investment income</b>	<b>33,310,094</b>

Expenses:

Compensation of Manager (Note 2)	2,509,725
Investor servicing and custodian fees (Note 2)	354,863
Compensation of Trustees (Note 2)	35,215
Administrative services (Note 2)	4,872
Other	240,176
<b>Total expenses</b>	<b>3,144,851</b>
Expense reduction (Note 2)	(23,146)
<b>Net expenses</b>	<b>3,121,705</b>
<b>Net investment income</b>	<b>30,188,389</b>
Net realized loss on investments (Notes 1 and 3)	(13,024,020)
Net realized gain on futures contracts (Note 1)	1,065,678

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Net realized loss on foreign currency transactions (Note 1)	(3,406,980)
Net realized gain on swap contracts (Note 1)	273,838
Net unrealized appreciation of assets and liabilities in foreign currencies during the period	504,380
Net unrealized depreciation of investments, futures contracts, swap contracts and written options during the period	(2,756,245)
Net loss on investments	(17,343,349)
Net increase in net assets resulting from operations	\$ 12,845,040

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

STATEMENT OF CHANGES IN NET ASSETS

	Six months ended March 31 2001*	Year ended September 30 2000
Decrease in net assets		
Operations:		
Net investment income	\$ 30,188,389	\$ 63,571,488
Net realized loss on investments and foreign currency transactions	(15,091,484)	(37,850,900)
Net unrealized depreciation of investments and assets and liabilities in foreign currencies	(2,251,865)	(5,069,860)
Net increase in net assets resulting from operations	12,845,040	20,650,728
Distributions to shareholders: (Note 1)		
From net investment income	(31,841,091)	(64,290,080)
Total decrease in net assets	(18,996,051)	(43,639,352)
Net assets		
Beginning of period	713,893,948	757,533,300
End of period (including distributions in excess of net investment income of \$20,158,738 and \$18,506,036, respectively)	\$694,897,897	\$713,893,948
Number of fund shares		

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Shares outstanding at beginning and end of period 100,133,127 100,133,127

\*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 March 31 (Unaudited)		Year ended September 30		
	2001	2000	1999	1998	1997
Net asset value, beginning of period	\$7.13	\$7.57	\$8.14	\$8.79	\$8.58
Investment operations					
Net investment income (a)	.30	.63	.58	.71	.64
Net realized and unrealized gain (loss) on investments	(.17)	(.43)	(.47)	(.67)	.21
Total from investment operations	.13	.20	.11	.04	.85
Less distributions:					
From net investment income	(.32)	(.64)	(.56)	(.69)	(.64)
From return of capital	--	--	(.12)	--	--
Total distributions	(.32)	(.64)	(.68)	(.69)	(.64)
Net asset value, end of period	\$6.94	\$7.13	\$7.57	\$8.14	\$8.79
Market value, end of period	\$6.580	\$6.438	\$6.438	\$7.750	\$8.125
Total return at market value (%) (b)	7.32*	10.72	(9.09)	3.91	17.54
Ratios and supplemental data					
Net assets, end of period (in thousands)	\$694,898	\$713,894	\$757,533	\$814,342	\$337,664

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Ratio of expenses to average net assets (%) (c)	.45*	.87	.93	.92	1.04
Ratio of net investment income to average net assets (%)	4.31*	8.60	7.39	8.13	7.47
Portfolio turnover (%)	186.65*	116.71	133.72	179.84 (d)	220.61

\* Not annualized.

- (a) Per share net investment income has been determined on the basis of weighted average number of shares outstanding during the period.
- (b) Total return does not reflect the effect of sales charges.
- (c) Includes amounts paid through expense offset arrangements (Note 2).
- (d) Portfolio turnover excludes the impact of assets received from the acquisition of Putnam Intermediate Government Income Trust.

### NOTES TO FINANCIAL STATEMENTS March 31, 2001 (Unaudited)

#### Note 1 Significant accounting policies

Putnam Master Intermediate Income Trust (the "fund") is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company and is authorized to issue an unlimited number of shares. The fund's investment objective is to seek, with equal emphasis, high current income and relative stability of net asset value, by allocating its investments among the U.S. investment grade sector, high-yield sector and international sector.

The following is a summary of significant accounting policies consistently followed by the fund in the preparation of its financial statements. The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

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

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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.

Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Non-cash dividends, if any, are recorded at the fair market value of the securities received. 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. Any premium resulting from the purchase of stepped-coupon securities is amortized on a yield-to-maturity basis.

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.

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) 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.

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

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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 September 30, 2000, the fund had a capital loss carryover of approximately \$47,316,000 available to offset future capital gains, if any. The amount of the carryover and the expiration dates are:

Loss Carryover	Expiration
\$ 253,000	September 30, 2001
7,035,000	September 30, 2003
2,793,000	September 30, 2004
1,554,000	September 30, 2005
10,040,000	September 30, 2007
25,641,000	September 30, 2008

J) Distributions to shareholders Distributions to shareholders are recorded by the fund on the ex-dividend date. At certain times, the fund may pay distributions at a level rate even though, as a result of market conditions or investment decisions, the fund may not achieve projected investment results for a given period. Capital gains 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, 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. For the six months ended March 31, 2001, the fund's expenses were reduced by \$23,146 these arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$982 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 March 31, 2001, cost of purchases and proceeds from sales of investment securities other than U.S. government obligations and short-term investments aggregated \$336,158,753 and \$296,959,936, respectively. Purchases and sales of U.S. government obligations aggregated \$882,013,706 and \$899,364,076, respectively.

Written option transactions during the period are summarized as follows:

	Contract Amounts	Premiums Received
-----		
Written options outstanding at beginning of period	\$           --	\$       --
-----		
Options opened	1,000,000,000	22,742
-----		
Options expired	--	--
-----		
Options closed	--	--
-----		
Written options outstanding at end of period	\$1,000,000,000	\$22,742
-----		

### Note 4

#### Share repurchase program

In November 1994, the Trustees authorized the fund to repurchase up to 1,950,000 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 March 31, 2001, the fund repurchased no shares.

As of March 31, 2001, 570,000 shares have been repurchased since the inception of the program.

### Note 5



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### 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 at this time quantified the impact, if any, resulting from the adoption of this principle on the financial statements.

### FUND INFORMATION

#### WEB SITE

[www.putnaminvestments.com](http://www.putnaminvestments.com)

#### INVESTMENT MANAGER

Putnam Investment Management, LLC  
One Post Office Square  
Boston, MA 02109

#### MARKETING SERVICES

Putnam Retail Management  
One Post Office Square  
Boston, MA 02109

#### CUSTODIAN

Putnam Fiduciary Trust Company

#### LEGAL COUNSEL

Ropes & Gray

#### TRUSTEES

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Jameson Adkins Baxter  
Hans H. Estin  
Ronald J. Jackson  
Paul L. Joskow  
Elizabeth T. Kennan  
Lawrence J. Lasser  
John H. Mullin III  
Robert E. Patterson  
George Putnam, III  
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W. Nicholas Thorndike

#### OFFICERS

George Putnam, III  
President

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Charles E. Porter  
Executive Vice President and Treasurer

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Senior Vice President

Lawrence J. Lasser  
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Vice President

John R. Verani  
Vice President

Call 1-800-225-1581 weekdays from 9 a.m. to 5 p.m. Eastern Time, or  
visit our Web site ([www.putnaminvestments.com](http://www.putnaminvestments.com)) any time for up-to-date  
information about the fund's NAV.

[LOGO OMITTED]

PUTNAM INVESTMENTS

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