

PUTNAM PREMIER INCOME TRUST

Form N-CSR

September 27, 2004

Putnam  
Premier  
Income  
Trust

Item 1. Report to Stockholders:

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

ANNUAL REPORT ON PERFORMANCE AND OUTLOOK

7-31-04

[GRAPHIC OMITTED: WATCH]

[SCALE LOGO OMITTED]

From the Trustees

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

John A. Hill and  
George Putnam, III

Dear Fellow Shareholder:

Fixed-income markets demonstrated impressive resilience during your fund's fiscal year, which ended July 31, 2004. Although there was concern that the economy's resurgence would jeopardize the performance of bonds, especially given that bonds had posted impressive returns for several years in a row, most fixed-income sectors performed well over the 12-month period. High-yield bonds did particularly well, as the economy's strength diminished worries about credit and default risk, and the generous yield of these securities insulated them from interest-rate volatility. Government bonds and other issues with high credit ratings treaded water until the spring of 2004, when a surge in new job creation caused interest rates to spike. However, after that abrupt rise in rates, economic indicators cooled considerably and rates again fell. While interest rates for bonds of all maturities have risen in the past year, most investment-grade bond indexes nevertheless had positive performance.

The recent volatility in the fixed-income market reminds us how difficult it can be to forecast short-term market movements. The managers of Putnam Premier Income Trust rely on training, experience, and Putnam's analytical tools in an effort to keep the portfolio positioned to take advantage of opportunities and risks in the market. The fund's diversification across multiple sectors of the bond market allows the management team to pull many levers in pursuit of strong performance. This capability was particularly helpful during the past 12 months, when market conditions changed significantly. For example, during the first half of the period, when high-yield bonds and emerging-market securities performed strongly, the fund benefited from being well positioned in these sectors -- especially high yield, in which the fund was overweighted relative to its benchmark. In the second half of the period, your fund's managers grew wary of excessive valuations in these sectors and reduced their weightings, focusing more on security selection. These strategies helped the fund produce strong

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absolute and relative returns during a challenging and volatile 12-month period.

Respectfully yours,

/S/ JOHN A. HILL

/S/ GEORGE PUTNAM, III

John A. Hill  
Chairman of the Trustees

George Putnam, III  
President of the Funds

September 15, 2004

Report from Fund Management

Fund highlights

- \* During the fiscal year ended July 31, 2004, Putnam Premier Income Trust had a total return at net asset value (NAV) of 11.98%. The fund's return at market price was 7.18%.
- \* Due to its portfolio of lower-quality, higher-yielding securities, as well as strong security selection, especially in the high-yield bond sector, the fund significantly outperformed at NAV the 3.86% return of its primary benchmark, the Lehman Government Bond Index.
- \* At NAV, the fund also outperformed the 10.66% average return of funds in the Lipper Flexible Income Funds (closed-end) category.
- \* See the Performance Summary beginning on page 8 for additional fund performance, comparative performance, and Lipper data.

Performance commentary

During its fiscal year, Putnam Premier Income Trust performed well amid significant changes in the U.S. and international bond markets. During the first six months, the fund benefited from a variety of factors that drove strong returns in the global bond markets, especially among lower-quality bond sectors. In the second half of the year, however, the bond market became skittish, as investors became increasingly concerned about higher interest rates and the potential for inflation, especially in the United States. Consequently, nearly all bond sectors saw flat to slightly positive returns during that period. The exception has been the high-yield market, where year-to-date returns are in the low single digits. In this uncertain environment, your fund's management team focused on investing in specific securities and sectors that it believed could outperform. This strategy produced strong relative and absolute returns for the fund. A fund's performance at market price may differ from its results at NAV. Although market price performance generally reflects investment results, it may also be influenced by several other factors, including changes in investor perceptions of the fund or its investment advisor, market conditions, fluctuations in supply and demand for the fund's shares, and changes in fund distributions.

FUND PROFILE

Putnam Premier Income Trust is designed for investors seeking a high level of current income. The fund maintains flexibility across three sectors -- U.S. government and agencies, high-yield corporate, and international -- to seek maximum current income without undue risk to capital. The fund may be appropriate for investors seeking a higher level of income who can accept a moderately higher level of risk.

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### Market overview

In the past 12 months, international bond market performance has been generally positive, although sluggish growth in Europe and rising interest rates in the U.K. sent mixed signals to investors. Low inflation in Europe reduced the likelihood of a rate increase by the European Central Bank, and European government and government agency bonds had solid returns. In emerging markets, the strengthening global economy boosted commodities exports, helping performance in both the stock and bond markets of these countries in the first half. Concerns about high valuations and geopolitical conflicts, however, have dampened enthusiasm for this sector since the beginning of the calendar year.

In the United States, low inflation and an accommodative Federal Reserve Board monetary policy helped bond yields decline in the first half of the period, but a strengthening economy and rising interest rates dampened returns in the second half. The U.S. dollar weakened for much of the period as the country's trade deficit ballooned, but it gained value relative to other major currencies toward the end of the fund's fiscal year.

U.S. high-yield corporate bonds were strong during the first half of the period, but in the second half performance slowed, although returns were still positive. Default rates continued to decline throughout the 12-month period, and credit quality improved as companies retired or refinanced debt. Responding to the strong performance, investor demand for high-yield bonds remained generally strong, and there were ample new high-yield issues. U.S. Treasury, agency, and mortgage-backed securities (MBSs) saw moderate returns, with Treasuries losing steam in the face of rising interest rates in the second half.

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#### MARKET SECTOR PERFORMANCE 12 MONTHS ENDED 7/31/04

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##### Bonds

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|                                                                    |       |
|--------------------------------------------------------------------|-------|
| Lehman Government Bond Index (U.S. Treasury and agency securities) | 3.86% |
|--------------------------------------------------------------------|-------|

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|                                                                                    |       |
|------------------------------------------------------------------------------------|-------|
| Citigroup Non-U.S. World Government Bond Index<br>(international government bonds) | 9.48% |
|------------------------------------------------------------------------------------|-------|

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|                                                                       |        |
|-----------------------------------------------------------------------|--------|
| JP Morgan Global High Yield Index (global high-yield corporate bonds) | 13.83% |
|-----------------------------------------------------------------------|--------|

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|                                                                                            |        |
|--------------------------------------------------------------------------------------------|--------|
| JP Morgan Global Diversified Emerging Markets Index<br>(global emerging-market securities) | 11.24% |
|--------------------------------------------------------------------------------------------|--------|

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##### Equities

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|                                    |        |
|------------------------------------|--------|
| S&P 500 Index (broad stock market) | 13.17% |
|------------------------------------|--------|

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|                                        |        |
|----------------------------------------|--------|
| MSCI EAFE Index (international stocks) | 25.05% |
|----------------------------------------|--------|

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|                                                            |        |
|------------------------------------------------------------|--------|
| Russell 2000 Index (stocks of small and midsize companies) | 17.06% |
|------------------------------------------------------------|--------|

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These indexes provide an overview of performance in different market sectors for the 12 months ended 7/31/04.

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### Strategy overview

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Over the 12-month period, we continued to emphasize U.S. high-yield corporate bonds. Although we reduced the fund's exposure to this sector during the second half of the period, it still made a substantial contribution to results for the year. By the end of the fiscal year, high-yield bonds -- still the fund's largest single sector weighting -- outperformed the other sectors in which the fund invests, primarily due to the strong economy, improving credit quality among high-yield issuers, declining default rates, and generally strong demand. We reduced the fund's high-yield allocation primarily because we believed that high-yield bonds were not as attractively valued as they had been over the past few years. We used the proceeds of the sales to increase the fund's weighting in MBSs, asset-backed securities (ABSs), and commercial mortgage-backed securities (CMBSs), all of which saw improved performance in the second half of the year after solid, albeit unspectacular, returns in the first half.

In a period characterized by uncertainty about the economy's strength, the impact of U.S. Federal Reserve interest-rate increases, and continued geopolitical turmoil, we avoided positioning the portfolio based on an analysis of interest rates and the economy -- the so called "top-down" approach. Instead, we focused on finding specific securities and sectors that we believed could outperform, such as high-yield bonds issued by companies with strong cash flows; certain types of MBSs and ABSs; and international government bonds from countries we felt had sound economies and strong currencies.

[GRAPHIC OMITTED: horizontal bar chart SECTOR WEIGHTINGS COMPARED]

### SECTOR WEIGHTINGS COMPARED

|                       | as of 1/31/04 | as of 7/31/04 |
|-----------------------|---------------|---------------|
| High yield            | 47.3%         | 40.9%         |
| U.S. investment grade | 33.2%         | 39.1%         |
| International*        | 19.5%         | 20.0%         |

#### Footnotes read:

This chart shows how the fund's top weightings have changed over the last six months. Weightings are shown as a percentage of net assets. Holdings will vary over time.

\* Includes emerging markets.

### How fund holdings and sectors affected performance

In the first half of the period, the U.S. economy was recovering strongly and the equity and high-yield bond markets responded with impressive returns. During this period, the fund's U.S. high-yield corporate bond holdings (its largest single sector weighting) significantly outperformed all other bond sectors and contributed strongly to the fund's returns. High-yield bonds, especially those with lower credit quality, outperformed Treasuries in each of the six months from August 2003 through January 2004. Within this sector, we sought, on a selective basis, opportunities in lower-quality bonds that offered both higher yields and the potential for an improvement in credit quality. Our primary rationale was that, in an environment of economic recovery and declining corporate default rates, these securities offered

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the greatest total return potential within the high-yield universe. As the economy and stock market improved, many high-yield bonds -- especially those with lower ratings and higher yields -- had impressive price gains in addition to their attractive yields. To take advantage of this trend, we generally de-emphasized BB-rated bonds and emphasized those with CCC ratings. We also sought bonds issued by companies with adequate liquidity and a strong ability to meet their obligations. Bonds with CCC ratings were among the strongest performers in the high-yield market during the first half of the fund's fiscal year.

[GRAPHIC OMITTED: TOP HOLDINGS]

### TOP HOLDINGS

(Percent of fund's net assets as of 7/31/04)

#### High-Yield Sector

- 1 Consec Finance Securitizations Corp. (1.1%)  
Series 00-4, Class A6, 8.31%, 2032
- 2 PSF Group Holdings, Inc. (1.0%)  
144A, Class A
- 3 Qwest Corp. (1.0%)  
144A notes 9.125%, 2012

#### International Sector

- 1 France (Government of) (0.4%)  
Bonds, 4%, 2013
- 2 United Kingdom (0.4%)  
Treasury bonds, 7.25%, 2007
- 3 United Kingdom (0.4%)  
Treasury bonds, 4.5%, 2007

#### U.S. Investment-Grade Sector

- 1 Federal National Mortgage Association (5.0%)  
Pass-through certificates, 5%, TBA, August 15, 2019
- 2 Federal National Mortgage Association (5.0%)  
Pass-through certificates, 6.5%, TBA  
August 15, 2034
- 3 U.S. government Treasury bonds (3.8%)  
6.25%, May 15, 2030

Footnote reads:

Holdings will vary over time.

In the second half of the year, we reduced the fund's exposure to high-yield bonds and increased the fund's allocation to mortgage-backed securities (MBSs), asset-backed securities (ABSs), and commercial mortgage-backed securities (CMBSs). Within the MBS group, we acquired high-coupon Government National Mortgage Association securities (GNMAs), which were less likely to be prepaid and therefore performed well. The fund also owned reperforming GNMAAs, which are traditional MBSs in which

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the borrowers have become delinquent in making payments for a period of time and, as a result, the securities are less likely to be refinanced. We believed these securities did not represent a major credit risk, and the fund benefited from the higher income that they produced. Lower-quality, BBB-rated MBSs also performed well for the fund, as did manufactured housing bonds issued by Conesco. These ABSs benefited from problems that affected Conesco on a corporate level but did not jeopardize the near-term income stream of the securities. We acquired them at attractive valuation levels, and the fund benefited both from their high coupons as well as price appreciation, which occurred when investors realized their intrinsic value in early 2004. Also in the first quarter of 2004, we added to the fund's international government bond holdings, including bonds from the United Kingdom and Australia, both of which saw strong economic growth through the first seven months of 2004. These securities made positive contributions to performance.

In the first six months of the year, the fund's emerging-markets weighting was neutral, or roughly the same as many of the fund's competitors, and this sector contributed strongly to returns during this period. These securities had surged as a result of strong growth in many emerging-market countries, due in large part to gains in manufacturing and exports to other rapidly growing countries. In the second half of the period, the fund's emerging-markets holdings did not make as strong a contribution because investors generally became more cautious.

Finally, the fund's currency strategy positioned the portfolio to benefit from a weakening U.S. dollar and euro, and rising value in Japanese yen, British sterling, and Australian dollar. These positions generally made solid positive contributions to returns.

Please note that all holdings discussed in this report are subject to review in accordance with the fund's investment strategy and may vary in the future.

### OF SPECIAL INTEREST

#### MERGER WITH PUTNAM MASTER INCOME TRUST PROPOSED

The fund's Trustees have approved in principle the merger of Putnam Master Income Trust into your fund. Putnam Master Income Trust is a closed-end, multi-sector fixed-income fund whose objectives, strategy and investments are substantially similar to those of your fund. The merger may result in lower expenses for shareholders of each fund due to the larger asset base of the combined fund. A prospectus/proxy statement containing more information about the proposed merger is expected to be sent to shareholders of each fund in November. Completion of the merger is subject to a number of conditions, including final approval by each fund's Trustees and approval by shareholders of each fund at a joint shareholder meeting expected to be held within the coming months.

This report is not an offer to sell, nor a solicitation of an offer to buy, shares of any fund, nor is it a solicitation of a proxy. To receive a free copy of the prospectus/proxy statement relating to the proposed merger (which contains important information about fees, expenses and risk considerations) after a registration statement has been filed with the SEC and becomes effective, please call 1-800-255-1581. The prospectus/proxy statement will also be available without charge on the SEC's website ([www.sec.gov](http://www.sec.gov)). Read the prospectus/proxy statement carefully before making any investment decisions.

The fund's management team

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The fund is managed by the Putnam Core Fixed-Income Team. The members of the team are D. William Kohli (Portfolio Leader), David Waldman (Portfolio Member), Carl Bell, Rob Bloemker, Andrea Burke, Kevin Cronin, Steve Horner, Michael Salm, and John Van Tassel.

The outlook for your fund

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

The past 18 months have seen strong returns in the U.S. equity markets, emerging markets, and the high-yield corporate bond market, all of which reflect an economic recovery in the United States and generally strong growth overseas. At this point, however, we believe there are certain headwinds that could have a negative impact on the performance of lower-quality bond sectors. The most important of these are rising interest rates in the United States, high U.S. federal and consumer debt, the inflationary impact of high energy prices, and the persistent threat of terrorism around the world.

We have changed the portfolio's composition significantly from a year ago. The primary change has been to improve overall credit quality by reducing the fund's allocation to high-yield bonds and emerging-market securities and using the proceeds to increase the fund's MBS and ABS weightings. We believe this more defensive positioning should help the fund better withstand any shocks to the lower-rated sectors of the global fixed-income markets.

Despite our concerns, our outlook is not necessarily pessimistic. International economic growth is generally on a sound footing -- especially in Japan and other parts of Asia -- while U.S. growth is slowing but moderate, which may cause interest rates to rise at a slower pace than what had been expected this past spring. As returns from different global fixed-income sectors continue to fluctuate, we believe the fund's diversified portfolio of sectors and holdings can be beneficial for shareholders.

The views expressed in this report are exclusively those of Putnam Management. They are not meant as investment advice. International investing involves certain risks, such as currency fluctuations, economic instability, and political developments. Mutual funds that invest in bonds are subject to certain risks, including interest-rate risk, credit risk, and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. Lower-rated bonds may offer higher yields in return for more risk. Mutual funds that invest in government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk.

### Performance summary

This section shows your fund's performance during its fiscal year, which ended July 31, 2004. In accordance with regulatory requirements, we also include performance for the most current calendar quarter-end. Performance should always be considered in light of a fund's investment strategy. Data represents past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return, net asset value, and market price will

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fluctuate and you may have a gain or a loss when you sell your shares.

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### TOTAL RETURN FOR PERIODS ENDED 7/31/04

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|                              | NAV    | Market price |
|------------------------------|--------|--------------|
| 1 year                       | 11.98% | 7.18%        |
| 5 years                      | 43.09  | 35.73        |
| Annual average               | 7.43   | 6.30         |
| 10 years                     | 103.81 | 98.27        |
| Annual average               | 7.38   | 7.08         |
| Annual average               |        |              |
| Life of fund (since 2/29/88) | 8.35   | 7.14         |

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Performance does not reflect taxes on reinvested distributions.

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### COMPARATIVE INDEX RETURNS FOR PERIODS ENDED 7/31/04

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|                 | Lehman<br>Government<br>Bond Index | Citigroup Non-<br>U.S. World<br>Government<br>Bond Index | JP Morgan<br>Global High<br>Yield Index* | Lipper<br>Flexible<br>Income Funds<br>(closed-end)<br>category<br>average+ |
|-----------------|------------------------------------|----------------------------------------------------------|------------------------------------------|----------------------------------------------------------------------------|
| 1 year          | 3.86%                              | 9.48%                                                    | 13.83%                                   | 10.66%                                                                     |
| 5 years         | 39.95                              | 33.28                                                    | 34.41                                    | 32.29                                                                      |
| Annual average  | 6.95                               | 5.91                                                     | 6.09                                     | 5.57                                                                       |
| 10 years        | 97.87                              | 79.41                                                    | 112.79                                   | 103.44                                                                     |
| Annual average  | 7.06                               | 6.02                                                     | 7.84                                     | 7.25                                                                       |
| Annual average  |                                    |                                                          |                                          |                                                                            |
| Life of fund    |                                    |                                                          |                                          |                                                                            |
| (since 2/29/88) | 7.68                               | 7.07                                                     | --                                       | 8.12                                                                       |

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Index and Lipper results should be compared to fund performance at net asset value.

\* The inception date of the JP Morgan Global High Yield Index was 12/31/93.

+ Over the 1-, 5-, and 10-year periods ended 7/31/04, there were 11, 11, and 11 funds, respectively, in this Lipper category.

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### PRICE AND DISTRIBUTION INFORMATION 12 MONTHS ENDED 7/31/04

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Putnam Premier Income Trust

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Distributions (number) 12



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|                                |         |              |
|--------------------------------|---------|--------------|
| Income                         | \$0.468 |              |
| Capital gains                  | --      |              |
| Total                          | \$0.468 |              |
| Share value:                   | NAV     | Market price |
| 7/31/03                        | \$6.75  | \$6.31       |
| 7/31/04                        | 7.03    | 6.29         |
| Current return (end of period) |         |              |
| Current dividend rate 1        | 6.66%   | 7.44%        |

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

### TOTAL RETURN FOR PERIODS ENDED 6/30/04 (MOST RECENT CALENDAR QUARTER)

|                              |        |              |
|------------------------------|--------|--------------|
|                              | NAV    | Market price |
| 1 year                       | 8.94%  | -1.71%       |
| 5 years                      | 41.11  | 21.53        |
| Annual average               | 7.13   | 3.98         |
| 10 years                     | 103.53 | 89.80        |
| Annual average               | 7.37   | 6.62         |
| Annual average               |        |              |
| Life of fund (since 2/29/88) | 8.32   | 6.89         |

### 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 shares.

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

### Comparative indexes

Citigroup Non-U.S. World Government Bond Index is an unmanaged index of government bonds from 10 countries.

JP Morgan Global Diversified Emerging Markets Index is an unmanaged index of global emerging-market fixed-income securities.

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JP Morgan Global High Yield Index is an unmanaged index used to mirror the investable universe of the U.S. dollar global high-yield corporate debt market of both developed and emerging markets.

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

Morgan Stanley Capital International (MSCI) EAFE Index is an unmanaged index of international stocks from Europe, Australasia, and the Far East.

Russell 2000 Index is an unmanaged index of common stocks that generally measure performance of small to midsize companies within the Russell 3000 Index.

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

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

Lipper is a third-party industry ranking entity that ranks funds (without sales charges) with similar current investment styles or objectives as determined by Lipper. Lipper category averages reflect performance trends for funds within a category and are based on results at net asset value.

### Putnam's policy on confidentiality

In order to conduct business with our shareholders, we must obtain certain personal information such as account holders' addresses, telephone numbers, Social Security numbers, and the names of their financial advisors. We use this information to assign an account number and to help us maintain accurate records of transactions and account balances.

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

Under certain circumstances, we share this information with outside vendors who provide services to us, such as mailing and proxy solicitation. In those cases, the service providers enter into confidentiality agreements with us, and we provide only the information necessary to process transactions and perform other services related to your account. We may also share this information with our Putnam affiliates to service your account or provide you with information about other Putnam products or services. It is also our policy to share account information with your financial advisor, if you've listed one on your Putnam account.

If you would like clarification about our confidentiality policies or have any questions or concerns, please don't hesitate to contact us at 1-800-225-1581, Monday through Friday, 8:30 a.m. to 7:00 p.m., or Saturdays from 9:00 a.m. to 5:00 p.m. Eastern Time.

### Proxy voting

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Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2004, are available on the Putnam Individual Investor Web site, [www.putnaminvestments.com/individual](http://www.putnaminvestments.com/individual), and on the SEC's Web site, [www.sec.gov](http://www.sec.gov). If you have questions about finding forms on the SEC's Web site, you may call the SEC at 1-800-SEC-0330. You may also obtain the Putnam funds' proxy voting guidelines and procedures by calling Putnam's Shareholder Services at 1-800-225-1581.

### Fund portfolio holdings

For periods ending on or after July 9, 2004, the fund will file a complete schedule of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Shareholders may obtain the fund's Forms N-Q on the SEC's Web site at [www.sec.gov](http://www.sec.gov). In addition, the fund's Forms N-Q may be reviewed and copied at the SEC's public reference room in Washington, D.C. You may call the SEC at 1-800-SEC-0330 for information about the SEC's Web site or the operation of the public reference room.

### A guide to the financial statements

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

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

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

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

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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.

Report of Independent Registered Public Accounting Firm

The Board of Trustees and Shareholders  
Putnam Premier Income Trust:

We have audited the accompanying statement of assets and liabilities of Putnam Premier Income Trust, including the fund's portfolio, as of July 31, 2004, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of July 31, 2004 by correspondence with the custodian and brokers or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Putnam Premier Income Trust as of July 31, 2004, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Boston, Massachusetts  
September 3, 2004

The fund's portfolio  
July 31, 2004

Corporate bonds and notes (40.9%) (a)  
Principal amount

Value

Basic Materials (4.3%)  
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|     |           |                                                                                                            |           |
|-----|-----------|------------------------------------------------------------------------------------------------------------|-----------|
|     | \$850,000 | Acetex Corp. sr. notes 10 7/8s, 2009<br>(Canada)                                                           | \$928,625 |
|     | 1,085,000 | AK Steel Corp. company guaranty<br>7 7/8s, 2009                                                            | 1,033,463 |
|     | 575,000   | AK Steel Corp. company guaranty<br>7 3/4s, 2012                                                            | 531,875   |
|     | 915,000   | Avecia Group PLC company guaranty<br>11s, 2009 (United Kingdom)                                            | 699,975   |
|     | 815,000   | BCP Caylux Holdings Luxembourg SCA<br>144A sr. sub. notes 9 5/8s, 2014<br>(Luxembourg)                     | 843,525   |
|     | 1,035,000 | Compass Minerals Group, Inc. company<br>guaranty 10s, 2011                                                 | 1,148,850 |
|     | 400,000   | Compass Minerals International, Inc.<br>sr. disc. notes stepped-coupon zero %<br>(12s, 6/1/08), 2013 (STP) | 312,000   |
|     | 1,070,000 | Compass Minerals International, Inc.<br>sr. notes stepped-coupon zero %<br>(12 3/4s, 12/15/07), 2012 (STP) | 877,400   |
|     | 1,603,487 | Doe Run Resources Corp. company<br>guaranty Ser. A1, 11 3/4s, 2008<br>(PIK)                                | 1,202,615 |
|     | 1,065,000 | Dow Chemical Co. (The) notes 5 3/4s,<br>2009                                                               | 1,122,225 |
|     | 265,000   | Equistar Chemicals LP notes 8 3/4s,<br>2009                                                                | 273,613   |
|     | 2,345,000 | Equistar Chemicals LP/Equistar<br>Funding Corp. company guaranty<br>10 1/8s, 2008                          | 2,556,050 |
|     | 600,000   | Georgia-Pacific Corp. bonds 7 3/4s,<br>2029                                                                | 600,000   |
|     | 1,340,000 | Georgia-Pacific Corp. debs. 7.7s,<br>2015                                                                  | 1,447,200 |
|     | 4,000     | Georgia-Pacific Corp. sr. notes<br>7 3/8s, 2008                                                            | 4,300     |
|     | 950,000   | Gerdau Ameristeel Corp. sr. notes<br>10 3/8s, 2011 (Canada)                                                | 1,059,250 |
|     | 222,750   | Graphics Packaging bank term loan<br>FRN 4.35s, 2010 (acquired 8/6/03,<br>cost \$222,750) (RES)            | 225,998   |
|     | 349,125   | Hercules, Inc. bank term loan FRN<br>3.497s, 2010 (acquired 4/7/04, cost<br>\$349,125) (RES)               | 350,871   |
|     | 1,385,000 | Hercules, Inc. company guaranty<br>11 1/8s, 2007                                                           | 1,620,450 |
|     | 280,000   | Huntsman Advanced Materials, LLC<br>144A sec. FRN 11.86, 2008                                              | 294,000   |
|     | 330,000   | Huntsman Advanced Materials, LLC<br>144A sec. notes 11s, 2010                                              | 374,550   |
|     | 1,099,000 | Huntsman Co., LLC sr. disc. notes<br>zero %, 2008                                                          | 637,420   |
|     | 695,000   | Huntsman ICI Chemicals, Inc. company<br>guaranty 10 1/8s, 2009                                             | 707,163   |
|     | 2,190,000 | Huntsman ICI Holdings sr. disc.<br>notes zero %, 2009                                                      | 1,095,000 |
| EUR | 590,000   | Huntsman International, LLC sr. sub.<br>notes Ser. EXCH, 10 1/8s, 2009                                     | 709,236   |
|     | \$555,000 | Huntsman LLC company guaranty<br>11 5/8s, 2010                                                             | 617,438   |
|     | 415,000   | Huntsman, LLC 144A company guaranty<br>11 1/2s, 2012                                                       | 417,075   |
|     | 180,000   | International Steel Group, Inc. 144A                                                                       |           |

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|             |                                                                                            |           |
|-------------|--------------------------------------------------------------------------------------------|-----------|
|             | sr. notes 6 1/2s, 2014                                                                     | 170,550   |
| 1,910,000   | ISP Chemco, Inc. company guaranty Ser. B, 10 1/4s, 2011                                    | 2,129,650 |
| 80,000      | Kaiser Aluminum & Chemical Corp. sr. notes Ser. B, 10 7/8s, 2006 (In default) (NON)        | 84,400    |
| 910,000     | Kaiser Aluminum & Chemical Corp. sr. sub. notes 12 3/4s, 2003 (In default) (DEF) (NON)     | 172,900   |
| 100,000     | Lyondell Chemical Co. bonds 11 1/8s, 2012                                                  | 111,625   |
| 980,000     | Lyondell Chemical Co. company guaranty 9 1/2s, 2008                                        | 1,025,325 |
| 895,000     | Lyondell Chemical Co. notes Ser. A, 9 5/8s, 2007                                           | 945,344   |
| EUR 610,000 | MDP Acquisitions PLC sr. notes 10 1/8s, 2012 (Ireland)                                     | 813,325   |
| \$125,000   | MDP Acquisitions PLC sr. notes 9 5/8s, 2012 (Ireland)                                      | 140,000   |
| 515,217     | MDP Acquisitions PLC sub. notes 15 1/2s, 2013 (Ireland) (PIK)                              | 600,228   |
| 1,390,000   | Millennium America, Inc. company guaranty 9 1/4s, 2008                                     | 1,501,200 |
| 210,000     | Millennium America, Inc. 144A sr. notes 9 1/4s, 2008                                       | 226,800   |
| 186,761     | Nalco Co. bank term loan FRN Ser. B, 4.126s, 2010 (acquired 11/6/03, cost \$186,761) (RES) | 189,475   |
| EUR 100,000 | Nalco Co. 144A sr. notes 7 3/4s, 2011                                                      | 126,410   |
| EUR 100,000 | Nalco Co. 144A sr. sub. notes 9s, 2013                                                     | 125,928   |
| \$1,490,000 | Nalco Co. 144A sr. sub. notes 8 7/8s, 2013                                                 | 1,564,500 |
| 795,000     | Norska Skog Canada Ltd. sr. notes 7 3/8s, 2014 (Canada)                                    | 791,025   |
| 609,379     | PCI Chemicals Canada sec. sr. notes 10s, 2008 (Canada)                                     | 591,098   |
| 192,965     | Pioneer Companies, Inc. sec. FRN 5.086s, 2006                                              | 182,352   |
| 1,095,000   | Potlatch Corp. company guaranty 10s, 2011                                                  | 1,231,875 |
| 180,000     | Resolution Performance Products, LLC sr. notes 9 1/2s, 2010                                | 188,100   |
| EUR 620,000 | SGL Carbon SA 144A sr. notes 8 1/2s, 2012 (Luxembourg)                                     | 725,518   |
| \$233,752   | SGL Carbon, LLC bank term loan FRN 4.22s, 2009 (acquired 2/26/04, cost \$234,921) (RES)    | 233,752   |
| 310,000     | Smurfit-Stone Container Corp. company guaranty 8 1/4s, 2012                                | 330,925   |
| 55,000      | Smurfit-Stone Container Corp. company guaranty 7 1/2s, 2013                                | 55,825    |
| 965,000     | Steel Dynamics, Inc. company guaranty 9 1/2s, 2009                                         | 1,071,150 |
| 207,976     | Sterling Chemicals, Inc. sec. notes 10s, 2007 (PIK)                                        | 195,497   |
| 710,000     | Stone Container Corp. sr. notes 9 3/4s, 2011                                               | 784,550   |
| 345,000     | Stone Container Corp. sr. notes 8 3/8s, 2012                                               | 369,150   |
| 210,000     | Stone Container Finance 144A company                                                       |           |

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|                      |                                                                                                               |            |
|----------------------|---------------------------------------------------------------------------------------------------------------|------------|
|                      | guaranty 7 3/8s, 2014 (Canada)                                                                                | 213,675    |
| 1,225,000            | Ucar Finance, Inc. company guaranty 10 1/4s, 2012                                                             | 1,372,000  |
| 550,000              | United Agri Products 144A sr. notes 8 1/4s, 2011                                                              | 596,750    |
| 706,000              | United States Steel Corp. sr. notes 9 3/4s, 2010                                                              | 785,425    |
| 350,000              | Wellman 1st. lien bank term loan FRN 6s, 2009 (acquired 2/4/04, cost \$350,000) (RES)                         | 355,104    |
| 380,000              | Wellman 2nd. lien bank term loan FRN 8 3/4s, 2010 (acquired 2/4/04, cost \$372,400) (RES)                     | 371,133    |
| 77,422               | Wheeling-Pittsburgh Steel Corp. sr. notes 6s, 2010                                                            | 52,647     |
| 147,827              | Wheeling-Pittsburgh Steel Corp. sr. notes 5s, 2011                                                            | 99,044     |
| 260,000              | WHX Corp. sr. notes 10 1/2s, 2005                                                                             | 241,800    |
|                      |                                                                                                               | -----      |
|                      |                                                                                                               | 42,456,222 |
| Capital Goods (3.4%) |                                                                                                               |            |
| -----                |                                                                                                               |            |
| 698,000              | AEP Industries, Inc. sr. sub. notes 9 7/8s, 2007                                                              | 715,450    |
| 1,340,093            | Air2 US 144A sinking fund Ser. D, 12.266s, 2020 (In default) (NON)                                            | 13         |
| 209,491              | Allied Waste Industries, Inc. bank term loan FRN 4.136s, 2010 (acquired 4/25/03, cost \$209,491) (RES)        | 212,070    |
| 35,357               | Allied Waste Industries, Inc. bank term loan FRN Ser. C, 1.369s, 2010 (acquired 4/25/03, cost \$35,357) (RES) | 35,902     |
| 1,670,000            | Allied Waste North America, Inc. company guaranty Ser. B, 8 1/2s, 2008                                        | 1,824,475  |
| 765,000              | Allied Waste North America, Inc. sec. notes 6 1/2s, 2010                                                      | 757,350    |
| 297,000              | Amsted Industries bank term loan FRN 5.364s, 2010 (acquired 8/12/03 cost \$295,515) (RES)                     | 303,311    |
| 775,000              | Argo-Tech Corp. 144A sr. notes 9 1/4s, 2011                                                                   | 809,875    |
| 840,000              | BE Aerospace, Inc. sr. sub. notes 9 1/2s, 2008                                                                | 850,500    |
| 285,000              | BE Aerospace, Inc. sr. sub. notes Ser. B, 8 7/8s, 2011                                                        | 277,875    |
| 660,000              | BE Aerospace, Inc. sr. sub. notes Ser. B, 8s, 2008                                                            | 636,900    |
| 190,000              | Berry Plastics Corp. company guaranty 10 3/4s, 2012                                                           | 211,375    |
| 1,195,000            | Blount, Inc. company guaranty 13s, 2009                                                                       | 1,284,625  |
| 345,000              | Blount, Inc. company guaranty 7s, 2005                                                                        | 352,763    |
| 970,000              | Browning-Ferris Industries, Inc. debs. 7.4s, 2035                                                             | 863,300    |
| 880,000              | Browning-Ferris Industries, Inc. sr. notes 6 3/8s, 2008                                                       | 897,600    |
| 285,000              | Crown Cork & Seal Company, Inc. bank term loan FRN Ser. B, 4.586s, 2008                                       |            |

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|     |             |                                                                                                                                |           |
|-----|-------------|--------------------------------------------------------------------------------------------------------------------------------|-----------|
|     |             | (acquired 2/21/03, cost \$282,150)                                                                                             |           |
|     |             | (RES)                                                                                                                          | 288,919   |
| EUR | 115,000     | Crown Holdings SA bonds 10 1/4s, 2011 (France)                                                                                 | 156,101   |
|     | \$1,240,000 | Crown Holdings SA notes 10 7/8s, 2013 (France)                                                                                 | 1,422,900 |
|     | 545,000     | Crown Holdings SA notes 9 1/2s, 2011 (France)                                                                                  | 596,775   |
|     | 1,310,000   | Decrane Aircraft Holdings Co. company guaranty Ser. B, 12s, 2008                                                               | 851,500   |
|     | 214,772     | EaglePicher bank term loan FRN 4.41s, 2009 (acquired 8/6/03, cost \$216,085) (RES)                                             | 216,249   |
|     | 985,000     | Earle M. Jorgensen Co. sec. notes 9 3/4s, 2012                                                                                 | 1,083,500 |
|     | 840,000     | FIMEP SA sr. notes 10 1/2s, 2013 (France)                                                                                      | 966,000   |
| EUR | 500,000     | Flender Holdings 144A sr. notes 11s, 2010 (Germany)                                                                            | 686,524   |
|     | \$181,134   | Flowserve Corp. bank term loan FRN Ser. C, 4.212s, 2009 (acquired various dates from 4/30/02 to 2/26/04, cost \$182,534) (RES) | 183,285   |
|     | 770,000     | Flowserve Corp. company guaranty 12 1/4s, 2010                                                                                 | 872,025   |
|     | 297,895     | Graham Packaging bank term loan FRN 4.291s, 2010 (acquired 2/18/03, cost \$296,405) (RES)                                      | 299,260   |
|     | 915,000     | Hexcel Corp. sr. sub. notes 9 3/4s, 2009                                                                                       | 958,463   |
| DEM | 1,075,000   | Impress Metal Packaging Holding NV sr. sub. notes 9 7/8s, 2007 (Netherlands)                                                   | 638,550   |
|     | \$159,668   | Invensys, PLC bank term loan FRN 5.477s, 2009 (acquired 3/11/04, cost \$159,268) (United Kingdom) (RES)                        | 162,063   |
|     | 1,370,000   | Invensys, PLC notes 9 7/8s, 2011 (United Kingdom)                                                                              | 1,380,275 |
|     | 710,000     | K&F Industries, Inc. sr. sub. notes Ser. B, 9 5/8s, 2010                                                                       | 775,675   |
|     | 1,025,000   | Legrand SA debts. 8 1/2s, 2025 (France)                                                                                        | 1,081,375 |
|     | 120,000     | Manitowoc Co., Inc. (The) company guaranty 10 1/2s, 2012                                                                       | 136,800   |
| EUR | 240,000     | Manitowoc Co., Inc. (The) company guaranty 10 3/8s, 2011                                                                       | 321,152   |
|     | \$305,000   | Manitowoc Co., Inc. (The) sr. notes 7 1/8s, 2013                                                                               | 309,575   |
|     | 188,991     | Mueller Group bank term loan FRN 4.559s, 2011 (acquired 4/22/04, cost \$188,991) (RES)                                         | 190,526   |
|     | 265,000     | Mueller Group Inc. 144A sec. FRN 5.919s, 2011                                                                                  | 272,950   |
|     | 370,000     | Mueller Group Inc. 144A sr. sub. notes 10s, 2012                                                                               | 388,500   |
|     | 775,000     | Owens-Brockway Glass company guaranty 8 1/4s, 2013                                                                             | 811,813   |
|     | 725,000     | Owens-Brockway Glass company guaranty 7 3/4s, 2011                                                                             | 768,500   |
|     | 955,000     | Owens-Brockway Glass sr. sec. notes 8 3/4s, 2012                                                                               | 1,050,500 |



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|                               |                                                                                          |            |
|-------------------------------|------------------------------------------------------------------------------------------|------------|
| 715,000                       | Pliant Corp. sec. notes 11 1/8s, 2009                                                    | 772,200    |
| 195,000                       | Roper bank term loan FRN 3.61s, 2008 (acquired 12/22/03, cost \$195,000) (RES)           | 197,600    |
| 1,650,000                     | Sequa Corp. sr. notes 9s, 2009                                                           | 1,782,000  |
| 325,000                       | Siebe PLC 144A sr. unsub. 6 1/2s, 2010 (United Kingdom)                                  | 292,500    |
| 199,500                       | Solo Cup Co. bank term loan FRN 3.945s, 2011 (acquired 2/19/04, cost \$200,639) (RES)    | 201,661    |
| 210,000                       | Solo Cup Co. 144A sr. sub. notes 8 1/2s, 2014                                            | 193,200    |
| 1,090,000                     | Tekni-Plex, Inc. company guaranty Ser. B, 12 3/4s, 2010                                  | 1,062,750  |
| 640,000                       | Tekni-Plex, Inc. 144A sr. sec. notes 8 3/4s, 2013                                        | 620,000    |
| 265,000                       | Terex Corp. company guaranty 9 1/4s, 2011                                                | 294,813    |
| 995,000                       | Terex Corp. company guaranty Ser. B, 10 3/8s, 2011                                       | 1,109,425  |
| 74,625                        | Transdigm, Inc. bank term loan FRN 3.61s, 2010 (acquired 4/19/04, cost \$74,625) (RES)   | 75,512     |
| 575,000                       | Trimas Corp. company guaranty 9 7/8s, 2012                                               | 600,875    |
| 510,000                       | Vought Aircraft Industries, Inc. 144A sr. notes 8s, 2011                                 | 499,800    |
|                               |                                                                                          | -----      |
|                               |                                                                                          | 34,605,475 |
| Communication Services (3.3%) |                                                                                          |            |
| -----                         |                                                                                          |            |
| 469,000                       | Alamosa Delaware, Inc. company guaranty 11s, 2010                                        | 512,383    |
| 371,000                       | Alamosa Delaware, Inc. company guaranty stepped-coupon zero % (12s, 7/31/05), 2009 (STP) | 362,653    |
| 580,000                       | Alamosa Delaware, Inc. 144A sr. notes 8 1/2s, 2012                                       | 566,950    |
| 270,000                       | American Cellular Corp. company guaranty 9 1/2s, 2009                                    | 232,200    |
| 1,115,000                     | American Cellular Corp. sr. notes Ser. B, 10s, 2011                                      | 970,050    |
| 515,000                       | American Tower Corp. 144A sr. notes 7 1/2s, 2012                                         | 505,988    |
| 1,040,000                     | American Towers, Inc. company guaranty 7 1/4s, 2011                                      | 1,047,800  |
| 770,000                       | Asia Global Crossing, Ltd. sr. notes 13 3/8s, 2010 (Bermuda) (In default) (NON)          | 69,300     |
| 1,245,000                     | Centennial Cellular Operating Co. company guaranty 10 1/8s, 2013                         | 1,282,350  |
| 205,000                       | Cincinnati Bell Telephone Co. company guaranty 6.3s, 2028                                | 178,350    |
| 505,000                       | Cincinnati Bell, Inc. company guaranty 7 1/4s, 2013                                      | 470,913    |
| 565,000                       | Cincinnati Bell, Inc. notes 7 1/4s, 2023                                                 | 502,850    |
| 1,145,000                     | Cincinnati Bell, Inc. sr. sub. notes 8 3/8s, 2014                                        | 1,007,600  |
| 441,450                       | Colo.com, Inc. 144A sr. notes                                                            |            |

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|           |                                                                                                                           |           |
|-----------|---------------------------------------------------------------------------------------------------------------------------|-----------|
|           | 13 7/8s, 2010 (In default) (NON)                                                                                          | 44        |
| 100,000   | Consolidated Communications bank<br>term loan FRN 4.081s, 2012<br>(acquired 4/7/04, cost \$100,000)<br>(RES)              | 101,750   |
| 148,875   | Crown Castle International Corp.<br>bank term loan FRN 5.09s, 2010<br>(acquired 10/3/03, cost \$148,875)<br>(RES)         | 149,061   |
| 1,060,000 | Crown Castle International Corp. sr.<br>notes 9 3/8s, 2011                                                                | 1,195,150 |
| 148,875   | Dobson Communications Corp. bank<br>term loan FRN 4.915s, 2010<br>(acquired 10/20/03, cost \$148,875)<br>(RES)            | 149,038   |
| 585,000   | Dobson Communications Corp. sr.<br>notes 8 7/8s, 2013                                                                     | 447,525   |
| 365,000   | Eircom Funding notes 8 1/4s, 2013<br>(Ireland)                                                                            | 383,250   |
| 540,000   | Fairpoint Communications, Inc. sr.<br>sub. notes 12 1/2s, 2010                                                            | 588,600   |
| 337,135   | Firstworld Communication Corp. sr.<br>disc. notes zero %, 2008 (In<br>default) (NON)                                      | 34        |
| 300,220   | Globix Corp. company guaranty 11s,<br>2008 (PIK)                                                                          | 250,684   |
| 1,200,000 | Inmarsat Finance PLC 144A company<br>guaranty 7 5/8s, 2012 (United<br>Kingdom)                                            | 1,149,000 |
| 420,000   | iPCS, Inc. 144A sr. notes 11 1/2s,<br>2012                                                                                | 433,650   |
| 1,055,000 | Level 3 Financing Inc. 144A sr.<br>notes 10 3/4s, 2011                                                                    | 902,025   |
| 1,005,000 | Madison River Capital Corp. sr.<br>notes 13 1/4s, 2010                                                                    | 1,067,813 |
| 1,458,000 | MCI, Inc. sr. notes 7.735s, 2014                                                                                          | 1,314,023 |
| 358,000   | MCI, Inc. sr. notes 6.688s, 2009                                                                                          | 329,808   |
| 1,000     | MCI, Inc. sr. notes 5.908s, 2007                                                                                          | 969       |
| 348,250   | Nextel bank term loan FRN Ser. E,<br>3.813s, 2010 (acquired 12/19/02,<br>cost \$322,044) (RES)                            | 350,489   |
| 2,080,000 | Nextel Communications, Inc. sr.<br>notes 7 3/8s, 2015                                                                     | 2,184,000 |
| 58,000    | Nextel Partners, Inc. sr. notes<br>12 1/2s, 2009                                                                          | 67,570    |
| 1,765,000 | Nextel Partners, Inc. sr. notes<br>8 1/8s, 2011                                                                           | 1,817,950 |
| 1,160,000 | PanAmSat Corp. company guaranty<br>8 1/2s, 2012                                                                           | 1,338,350 |
| 268,125   | Qwest Communications International,<br>Inc. bank term loan FRN 6 1/2s,<br>2007 (acquired 6/5/03, cost<br>\$265,444) (RES) | 277,677   |
| 1,765,000 | Qwest Communications International,<br>Inc. 144A sr. notes 7 1/2s, 2014                                                   | 1,650,275 |
| 240,000   | Qwest Communications International,<br>Inc. 144A sr. notes FRN 4.75s, 2009                                                | 229,200   |
| 3,360,000 | Qwest Corp. 144A notes 9 1/8s, 2012                                                                                       | 3,695,945 |
| 505,000   | Qwest Services Corp. 144A notes<br>14 1/2s, 2014                                                                          | 606,000   |
| 380,000   | Rogers Wireless, Inc. sec. notes<br>9 5/8s, 2011 (Canada)                                                                 | 427,500   |

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|         |                                                                                                                             |            |
|---------|-----------------------------------------------------------------------------------------------------------------------------|------------|
| 420,000 | Rural Cellular Corp. sr. sub. notes<br>Ser. B, 9 5/8s, 2008                                                                 | 399,000    |
| 225,000 | SBA Communications Corp. sr. notes<br>10 1/4s, 2009                                                                         | 232,875    |
| 100,000 | SBA Senior Finance, Inc. bank term<br>loan FRN 4.687s, 2008 (acquired<br>2/3/04, cost \$100,000) (RES)                      | 100,656    |
| 445,000 | SBA Telecommunications Inc./SBA<br>Communication Corp. sr. disc. notes<br>stepped-coupon zero % (9 3/4s,<br>12/15/07), 2011 | 337,088    |
| 540,000 | Triton PCS, Inc. company guaranty<br>8 3/4s, 2011                                                                           | 417,150    |
| 935,000 | TSI Telecommunication Services, Inc.<br>company guaranty Ser. B, 12 3/4s,<br>2009                                           | 1,005,125  |
| 577,000 | UbiquiTel Operating Co. bonds<br>stepped-coupon zero % (14s,<br>4/15/05), 2010 (STP)                                        | 579,885    |
| 510,000 | UbiquiTel Operating Co. sr. notes<br>9 7/8s, 2011                                                                           | 506,175    |
| 765,000 | Western Wireless Corp. sr. notes<br>9 1/4s, 2013                                                                            | 782,213    |
|         |                                                                                                                             | -----      |
|         |                                                                                                                             | 33,176,934 |

### Consumer Cyclical (9.9%)

|           |                                                                                                        |           |
|-----------|--------------------------------------------------------------------------------------------------------|-----------|
| 84,124    | Advance Stores bank term loan FRN<br>Ser. C, 3.312s, 2007<br>(acquired 3/4/03, cost \$84,124)<br>(RES) | 85,123    |
| 395,000   | Ameristar Casinos, Inc. company<br>guaranty 10 3/4s, 2009                                              | 444,375   |
| 230,000   | Argosy Gaming Co. sr. sub. notes 9s,<br>2011                                                           | 255,300   |
| 915,000   | Argosy Gaming Co. 144A sr. sub.<br>notes 7s, 2014                                                      | 911,569   |
| 640,000   | Asbury Automotive Group, Inc. sr.<br>sub. notes 8s, 2014                                               | 601,600   |
| 1,230,000 | Autonation, Inc. company guaranty<br>9s, 2008                                                          | 1,389,900 |
| 210,000   | Beazer Homes USA, Inc. company<br>guaranty 8 3/8s, 2012                                                | 224,700   |
| 237,336   | Borgata Resorts bank term loan FRN<br>Ser. B, 4.126s, 2007 (acquired<br>6/5/02, cost \$236,742) (RES)  | 238,967   |
| 820,000   | Boyd Gaming Corp. sr. sub. notes<br>8 3/4s, 2012                                                       | 885,600   |
| 230,000   | Boyd Gaming Corp. sr. sub. notes<br>7 3/4s, 2012                                                       | 236,900   |
| 450,000   | Building Materials Corp. company<br>guaranty 8s, 2008                                                  | 450,000   |
| 500,000   | Chumash Casino & Resort Enterprise<br>144A sr. notes 9s, 2010                                          | 545,000   |
| 188,259   | Coinmach Corp. bank term loan FRN<br>Ser. B, 4.316s, 2009 (acquired<br>1/31/02, cost \$188,024) (RES)  | 189,765   |
| 1,655,000 | Coinmach Corp. sr. notes 9s, 2010                                                                      | 1,679,825 |
| 1,090,000 | Collins & Aikman Products company<br>guaranty 10 3/4s, 2011                                            | 1,100,900 |
| 73,858    | Corrections Corporation of America                                                                     |           |

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|               |                                                                                                                    |           |
|---------------|--------------------------------------------------------------------------------------------------------------------|-----------|
|               | bank term loan FRN 3.36s, 2008<br>(acquired 8/5/03, cost \$73,858) (RES)                                           | 74,874    |
| 145,000       | D.R. Horton, Inc. company guaranty<br>8s, 2009                                                                     | 161,675   |
| 880,000       | D.R. Horton, Inc. sr. notes 7 7/8s,<br>2011                                                                        | 976,800   |
| 220,000       | D.R. Horton, Inc. sr. notes 6 7/8s,<br>2013                                                                        | 228,250   |
| 600,000       | D.R. Horton, Inc. sr. notes 5 7/8s,<br>2013                                                                        | 584,250   |
| 220,000       | Dana Corp. notes 10 1/8s, 2010                                                                                     | 250,800   |
| 785,000       | Dana Corp. notes 9s, 2011                                                                                          | 926,300   |
| 135,000       | Dana Corp. notes 7s, 2029                                                                                          | 133,650   |
| 405,000       | Dana Corp. notes 6 1/2s, 2009                                                                                      | 425,250   |
| 780,000       | Dayton Superior Corp. sec. notes<br>10 3/4s, 2008                                                                  | 799,500   |
| 295,000       | Delco Remy International, Inc.<br>company guaranty 11s, 2009                                                       | 316,388   |
| 740,000       | Delco Remy International, Inc. 144A<br>sr. sub. notes 9 3/8s, 2012                                                 | 714,100   |
| 661,675       | Derby Cycle Corp. (The) sr. notes<br>10s, 2008 (In default) (NON)                                                  | 66        |
| DEM 1,700,694 | Derby Cycle Corp. (The) sr. notes<br>9 3/8s, 2008 (In default) (NON)                                               | 105       |
| \$1,545,000   | Dex Media East, LLC/Dex Media East<br>Finance Co. sr. notes Ser. B,<br>8 1/2s, 2010                                | 1,699,500 |
| 267,361       | Dex Media West, LLC bank term loan<br>FRN 3.691s, 2010 (acquired 9/9/03,<br>cost \$267,361) (RES)                  | 272,207   |
| 705,000       | Dex Media, Inc. 144A disc. notes<br>stepped-coupon zero % (9s,<br>11/15/08), 2013 (STP)                            | 489,975   |
| 805,000       | Dex Media, Inc. 144A notes 8s, 2013                                                                                | 809,025   |
| 265,000       | Dura Operating Corp. company<br>guaranty Ser. B, 8 5/8s, 2012                                                      | 262,350   |
| 710,000       | Dura Operating Corp. company<br>guaranty Ser. D, 9s, 2009                                                          | 678,050   |
| 140,000       | FelCor Lodging LP company guaranty<br>10s, 2008 (R)                                                                | 147,700   |
| 680,000       | Finlay Fine Jewelry Corp. 144A sr.<br>notes 8 3/8s, 2012                                                           | 714,000   |
| 965,000       | Gaylord Entertainment Co. sr. notes<br>8s, 2013                                                                    | 992,744   |
| 160,000       | Goodyear Tire & Rubber Co. (The)<br>bank term loan FRN 6.059s, 2006<br>(acquired 2/19/04, cost \$160,000)<br>(RES) | 161,550   |
| 1,700,000     | Goodyear Tire & Rubber Co. (The)<br>notes 7.857s, 2011                                                             | 1,581,000 |
| 285,000       | Goodyear Tire & Rubber Co. (The)<br>notes 6 3/8s, 2008                                                             | 267,900   |
| 236,225       | Hayes Lemmerz International, Inc.<br>bank term loan FRN 5.1s,<br>2009 (acquired 6/3/03, cost<br>\$233,863) (RES)   | 240,581   |
| 565,000       | Herbst Gaming, Inc. 144A sr. sub.<br>notes 8 1/8s, 2012                                                            | 557,938   |
| 1,175,000     | Hilton Hotels Corp. notes 7 5/8s,<br>2012                                                                          | 1,296,906 |
| 1,235,000     | HMH Properties, Inc. company<br>guaranty Ser. B, 7 7/8s, 2008                                                      | 1,268,963 |

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|           |                                                                                                                              |           |
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| 1,848,767 | Hollinger Participation Trust 144A<br>sr. notes 12 1/8s, 2010 (Canada)<br>(PIK)                                              | 2,163,057 |
| 1,370,000 | Hollywood Park, Inc. company<br>guaranty Ser. B, 9 1/4s, 2007                                                                | 1,404,250 |
| 1,250,000 | Horseshoe Gaming Holdings company<br>guaranty 8 5/8s, 2009                                                                   | 1,303,125 |
| 389,000   | Host Marriott LP sr. notes Ser. E,<br>8 3/8s, 2006 (R)                                                                       | 411,368   |
| 1,050,000 | Host Marriott LP 144A sr. notes 7s,<br>2012                                                                                  | 1,036,875 |
| 475,000   | Houghton Mifflin Co. sr. sub. notes<br>9 7/8s, 2013                                                                          | 488,063   |
| 1,205,000 | Icon Health & Fitness company<br>guaranty 11 1/4s, 2012                                                                      | 1,313,450 |
| 148,875   | IESI Corp. bank term loan FRN<br>4.601s, 2010 (acquired various<br>dates from 10/20/03 to 10/21/03,<br>cost \$149,719) (RES) | 151,108   |
| 895,000   | IESI Corp. company guaranty 10 1/4s,<br>2012                                                                                 | 971,075   |
| 385,000   | Inn of the Mountain Gods sr. notes<br>12s, 2010                                                                              | 431,200   |
| 725,000   | ITT Corp. debs. 7 3/8s, 2015                                                                                                 | 741,313   |
| 815,000   | ITT Corp. notes 6 3/4s, 2005                                                                                                 | 844,544   |
| 1,370,000 | JC Penney Co., Inc. debs. 7.95s,<br>2017                                                                                     | 1,548,100 |
| 245,000   | JC Penney Co., Inc. debs. 7.65s,<br>2016                                                                                     | 269,500   |
| 615,000   | JC Penney Co., Inc. debs. 7 1/8s,<br>2023                                                                                    | 639,600   |
| 40,000    | JC Penney Co., Inc. notes 8s, 2010                                                                                           | 44,900    |
| 2,245,000 | John Q. Hammons Hotels LP/John Q.<br>Hammons Hotels Finance Corp. III<br>1st mtge. Ser. B, 8 7/8s, 2012                      | 2,469,500 |
| 1,310,000 | Jostens Holding Corp. sr. disc.<br>notes stepped-coupon zero %<br>(10 1/4s, 12/1/08), 2013 (STP)                             | 877,700   |
| 258,638   | Jostens, Inc. bank term loan FRN<br>Ser. B, 3.869s, 2010 (acquired<br>7/28/03, cost \$258,638) (RES)                         | 261,871   |
| 730,000   | Jostens, Inc. sr. sub. notes<br>12 3/4s, 2010                                                                                | 824,900   |
| 180,000   | K. Hovnanian Enterprises, Inc.<br>company guaranty 10 1/2s, 2007                                                             | 207,900   |
| 795,000   | K. Hovnanian Enterprises, Inc.<br>company guaranty 8 7/8s, 2012                                                              | 868,538   |
| 540,000   | K. Hovnanian Enterprises, Inc.<br>company guaranty 6 3/8s, 2014                                                              | 504,900   |
| 405,000   | K. Hovnanian Enterprises, Inc. sr.<br>notes 6 1/2s, 2014                                                                     | 383,738   |
| 500,000   | K2, Inc. 144A sr. notes 7 3/8s, 2014                                                                                         | 508,750   |
| 1,885,000 | Laidlaw International, Inc. sr.<br>notes 10 3/4s, 2011                                                                       | 2,087,638 |
| 244,444   | Lamar Media Corp. bank term loan FRN<br>3 3/8s, 2010 (acquired 2/27/03,<br>cost \$244,444) (RES)                             | 246,644   |
| 780,000   | Lamar Media Corp. company guaranty<br>7 1/4s, 2013                                                                           | 805,350   |
| 100,000   | Landsource bank term loan FRN 4s,<br>2010 (acquired 1/12/04, cost<br>\$100,000) (RES)                                        | 101,313   |

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| 1,310,000 | Levi Strauss & Co. sr. notes<br>12 1/4s, 2012                                                               | 1,329,650 |
| 600,000   | Mandalay Resort Group sr. notes<br>6 3/8s, 2011                                                             | 612,000   |
| 985,000   | Meristar Hospitality Corp. company<br>guaranty 9 1/8s, 2011 (R)                                             | 1,017,013 |
| 530,000   | Meristar Hospitality Corp. company<br>guaranty 9s, 2008 (R)                                                 | 548,550   |
| 410,000   | Meritage Corp. company guaranty<br>9 3/4s, 2011                                                             | 453,050   |
| 275,000   | Meritage Corp. sr. notes 7s, 2014                                                                           | 264,000   |
| 560,000   | Meritor Automotive, Inc. notes 6.8s,<br>2009                                                                | 562,800   |
| 875,000   | Metaldyne Corp. 144A sr. notes 10s,<br>2013                                                                 | 875,000   |
| 1,085,000 | MGM Mirage, Inc. company guaranty<br>8 1/2s, 2010                                                           | 1,198,925 |
| 680,000   | MGM Mirage, Inc. company guaranty<br>6s, 2009                                                               | 674,900   |
| 75,000    | Mohegan Tribal Gaming Authority sr.<br>notes 8 1/8s, 2006                                                   | 80,438    |
| 270,000   | Mohegan Tribal Gaming Authority sr.<br>sub. notes 8 3/8s, 2011                                              | 307,125   |
| 165,000   | Mohegan Tribal Gaming Authority sr.<br>sub. notes 8s, 2012                                                  | 179,231   |
| 1,605,000 | Mohegan Tribal Gaming Authority sr.<br>sub. notes 6 3/8s, 2009                                              | 1,615,031 |
| 760,000   | Nortek Holdings, Inc. 144A sr. notes<br>stepped-coupon zero % (10s,<br>11/15/07), 2011 (STP)                | 635,360   |
| 555,000   | Nortek, Inc. sr. sub. notes Ser. B,<br>9 7/8s, 2011                                                         | 647,963   |
| 415,000   | Owens Corning bonds 7 1/2s, 2018 (In<br>default) (NON)                                                      | 180,525   |
| 1,185,000 | Owens Corning notes 7 1/2s, 2005 (In<br>default) (NON)                                                      | 515,475   |
| 635,000   | Oxford Industries, Inc. 144A sr.<br>notes 8 7/8s, 2011                                                      | 676,275   |
| 1,250,000 | Park Place Entertainment Corp. sr.<br>notes 7 1/2s, 2009                                                    | 1,362,500 |
| 680,000   | Park Place Entertainment Corp. sr.<br>notes 7s, 2013                                                        | 709,750   |
| 545,000   | Park Place Entertainment Corp. sr.<br>sub. notes 8 7/8s, 2008                                               | 606,313   |
| 5,000     | Park Place Entertainment Corp. sr.<br>sub. notes 8 1/8s, 2011                                               | 5,519     |
| 189,118   | Penn National Gaming, Inc. bank term<br>loan FRN 4.07s, 2010 (acquired<br>2/19/03, cost \$188,882) (RES)    | 191,766   |
| 640,000   | Penn National Gaming, Inc. company<br>guaranty Ser. B, 11 1/8s, 2008                                        | 702,400   |
| 1,320,000 | Penn National Gaming, Inc. sr. sub.<br>notes 8 7/8s, 2010                                                   | 1,443,750 |
| 310,000   | Phillips-Van Heusen Corp. 144A sr.<br>notes 7 1/4s, 2011                                                    | 316,200   |
| 157,325   | Pinnacle Entertainment, Inc. bank<br>term loan FRN 4.84s, 2009 (acquired<br>12/15/03, cost \$157,325) (RES) | 159,291   |
| 765,000   | Pinnacle Entertainment, Inc. sr.<br>sub. notes 8 3/4s, 2013                                                 | 761,175   |
| 360,000   | Pinnacle Entertainment, Inc. sr.<br>sub. notes 8 1/4s, 2012                                                 | 345,600   |

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|             |                                                                                                                                  |           |
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|             | 190,762 PRIMEDIA, Inc. bank term loan FRN Ser. B, 4 1/4s, 2009 (acquired 2/10/03, cost \$182,654) (RES)                          | 182,654   |
|             | 1,515,000 PRIMEDIA, Inc. company guaranty 8 7/8s, 2011                                                                           | 1,488,488 |
|             | 1,110,000 PRIMEDIA, Inc. 144A sr. notes 8s, 2013                                                                                 | 1,032,300 |
|             | 510,000 Reader's Digest Association, Inc. (The) sr. notes 6 1/2s, 2011                                                           | 504,900   |
|             | 995,000 Resorts International Hotel and Casino, Inc. company guaranty 11 1/2s, 2009                                              | 1,119,375 |
|             | 369,472 RH Donnelley Finance Corp. I bank term loan FRN Ser. B, 3.786s, 2010 (acquired 12/4/02, cost \$369,472) (RES)            | 373,513   |
|             | 175,000 RH Donnelley Finance Corp. I company guaranty 8 7/8s, 2010                                                               | 192,500   |
|             | 1,290,000 RH Donnelley Finance Corp. I 144A sr. notes 8 7/8s, 2010                                                               | 1,419,000 |
|             | 650,000 RH Donnelley Finance Corp. I 144A sr. sub. notes 10 7/8s, 2012                                                           | 760,500   |
|             | 920,000 Russell Corp. company guaranty 9 1/4s, 2010                                                                              | 984,400   |
|             | 1,538,000 Saks, Inc. company guaranty 7s, 2013                                                                                   | 1,507,240 |
|             | 1,665,000 Samsonite Corp. 144A sr. sub. notes 8 7/8s, 2011                                                                       | 1,694,138 |
|             | 530,000 Schuler Homes, Inc. company guaranty 10 1/2s, 2011                                                                       | 606,850   |
|             | 370,327 Scientific Gaming bank term loan FRN 3.84s, 2008 (acquired 12/11/02, cost \$368,475) (RES)                               | 374,338   |
|             | 155,714 Sealy Mattress Co. bank term loan FRN 4.221s, 2012 (acquired 4/2/04, cost \$155,714) (RES)                               | 157,920   |
|             | 1,545,000 Sealy Mattress Co. 144A sr. sub. notes 8 1/4s, 2014                                                                    | 1,545,000 |
|             | 138,175 SPX Corp. bank term loan FRN Ser. B, 3 3/8s, 2009 (acquired various dates from 7/23/02 to 8/26/03, cost \$138,175) (RES) | 140,162   |
|             | 590,000 Standard Pacific Corp. sr. notes 7 3/4s, 2013                                                                            | 606,225   |
|             | 70,000 Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 7/8s, 2012                                                   | 75,425    |
|             | 535,000 Starwood Hotels & Resorts Worldwide, Inc. company guaranty 7 3/8s, 2007                                                  | 564,425   |
|             | 665,000 Station Casinos, Inc. sr. notes 6s, 2012                                                                                 | 648,375   |
|             | 715,000 Station Casinos, Inc. sr. sub. notes 6 7/8s, 2016                                                                        | 695,338   |
|             | 470,000 Technical Olympic USA, Inc. company guaranty 10 3/8s, 2012                                                               | 497,025   |
|             | 305,000 Technical Olympic USA, Inc. company guaranty 9s, 2010                                                                    | 314,150   |
| EUR         | 185,000 Teksid Aluminum 144A company guaranty 11 3/8s, 2011 (Luxembourg)                                                         | 192,654   |
| \$1,040,000 | Tenneco Automotive, Inc. sec. notes Ser. B, 10 1/4s, 2013                                                                        | 1,185,600 |
|             | 1,700,000 Trump Atlantic City Associates company guaranty 11 1/4s, 2006                                                          | 1,496,000 |
|             | 745,000 Trump Casino Holdings, LLC company                                                                                       |           |

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|                         |                                                                                                                    |            |
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|                         | guaranty 12 5/8s, 2010                                                                                             | 761,763    |
| 154,613                 | TRW Automotive bank term loan FRN<br>4 1/8s, 2011 (acquired 1/7/04, cost<br>\$154,613) (RES)                       | 157,222    |
| 715,000                 | United Auto Group, Inc. company<br>guaranty 9 5/8s, 2012                                                           | 782,925    |
| 1,215,000               | Vertis, Inc. company guaranty<br>Ser. B, 10 7/8s, 2009                                                             | 1,327,388  |
| 1,015,000               | Vertis, Inc. sub. notes 13 1/2s,<br>2009                                                                           | 1,035,300  |
| 370,000                 | Von Hoffman Press, Inc. company<br>guaranty 10 3/8s, 2007                                                          | 373,700    |
| 1,060,000               | Von Hoffman Press, Inc. company<br>guaranty 10 1/4s, 2009                                                          | 1,155,400  |
| 534,185                 | Von Hoffman Press, Inc. debts. 13s,<br>2009 (PIK)                                                                  | 520,830    |
| 1,135,000               | WCI Communities, Inc. company<br>guaranty 9 1/8s, 2012                                                             | 1,222,963  |
| 552,000                 | William Carter Holdings Co. (The)<br>company guaranty Ser. B, 10 7/8s,<br>2011                                     | 621,000    |
| 220,000                 | WRC Media Corp. bank term loan FRN<br>6.761s, 2009 (acquired 3/25/04,<br>cost \$220,000) (RES)                     | 219,313    |
| 770,000                 | WRC Media Corp. sr. sub. notes<br>12 3/4s, 2009                                                                    | 700,700    |
| 87,000                  | Yell Finance BV sr. notes 10 3/4s,<br>2011 (Netherlands)                                                           | 99,920     |
|                         |                                                                                                                    | -----      |
|                         |                                                                                                                    | 98,496,685 |
| Consumer Staples (5.8%) |                                                                                                                    |            |
| -----                   |                                                                                                                    |            |
| 110,000                 | Adelphia Communications Corp. notes<br>Ser. B, 9 7/8s, 2005 (In default)<br>(NON)                                  | 94,600     |
| 560,000                 | Adelphia Communications Corp. sr.<br>notes 10 7/8s, 2010 (In default)<br>(NON)                                     | 490,000    |
| 25,000                  | Adelphia Communications Corp. sr.<br>notes 10 1/4s, 2011 (In default)<br>(NON)                                     | 22,375     |
| 75,000                  | Adelphia Communications Corp. sr.<br>notes 9 3/8s, 2009 (In default)<br>(NON)                                      | 65,625     |
| 1,505,000               | Adelphia Communications Corp. sr.<br>notes Ser. B, 7 3/4s, 2009 (In<br>default) (NON)                              | 1,264,200  |
| 47,669                  | Affinity Group Holdings bank term<br>loan FRN Ser. B1, 5.528s, 2009<br>(acquired 5/27/03, cost \$47,550)<br>(RES)  | 48,086     |
| 119,173                 | Affinity Group Holdings bank term<br>loan FRN Ser. B2, 5.321s, 2009<br>(acquired 5/27/03, cost \$118,875)<br>(RES) | 120,215    |
| 765,000                 | Affinity Group, Inc. 144A sr. sub.<br>notes 9s, 2012                                                               | 792,731    |
| 915,000                 | AMC Entertainment, Inc. sr. sub.<br>notes 9 7/8s, 2012                                                             | 937,875    |
| 770,000                 | AMC Entertainment, Inc. 144A sr.<br>sub. notes 8s, 2014                                                            | 710,325    |



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| 440,565   | American Seafood Group, LLC bank term loan FRN Ser. B, 4.59s, 2009 (acquired 4/11/02, cost \$440,124) (RES)                   | 441,574   |
| 239,400   | AMF Bowling Worldwide bank term loan FRN 4.372s, 2009 (acquired 2/25/04, cost \$239,400) (RES)                                | 241,196   |
| 458,590   | Archibald Candy Corp. company guaranty 10s, 2007 (In default) (NON) (PIK)                                                     | 302,669   |
| 890,000   | Armkel, LLC/Armkel Finance sr. sub. notes 9 1/2s, 2009                                                                        | 967,875   |
| 790,000   | Brand Services, Inc. company guaranty 12s, 2012                                                                               | 908,500   |
| 945,000   | Cablevision Systems Corp. 144A sr. notes 8s, 2012                                                                             | 928,463   |
| 700,000   | Capital Records, Inc. 144A company guaranty 8 3/8s, 2009                                                                      | 755,082   |
| 1,120,000 | Century Cable Holdings bank term loan FRN 6 1/4s, 2009 (acquired various dates from 5/22/02 to 6/11/02, cost \$980,796) (RES) | 1,081,033 |
| 320,000   | Charter bank term loan FRN 4.42s, 2011 (acquired 4/21/04, cost \$320,000) (RES)                                               | 315,160   |
| 360,000   | Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (12 1/8s, 1/15/07), 2012 (STP)       | 195,300   |
| 735,000   | Charter Communications Holdings, LLC/Capital Corp. sr. disc. notes stepped-coupon zero % (11 3/4s, 5/15/06), 2011 (STP)       | 433,650   |
| 980,000   | Charter Communications Holdings, LLC/Capital Corp. sr. notes 11 1/8s, 2011                                                    | 776,650   |
| 1,195,000 | Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 3/4s, 2009                                                    | 961,975   |
| 585,000   | Charter Communications Holdings, LLC/Capital Corp. sr. notes 10 1/4s, 2010                                                    | 454,838   |
| 2,310,000 | Charter Communications Holdings, LLC/Capital Corp. sr. notes 10s, 2011                                                        | 1,749,825 |
| 265,000   | Charter Communications Holdings, LLC/Capital Corp. sr. notes 8 5/8s, 2009                                                     | 200,075   |
| 910,000   | Cinemark USA, Inc. sr. sub. notes 9s, 2013                                                                                    | 998,725   |
| 1,385,000 | Cinemark, Inc. 144A sr. disc. notes stepped-coupon zero % (9 3/4s, 3/15/09), 2014 (STP)                                       | 914,100   |
| 154,685   | Constellation Brands, Inc. bank term loan FRN 3.213s, 2008 (acquired 11/3/03, cost \$154,685) (RES)                           | 156,812   |
| 420,000   | Constellation Brands, Inc. company guaranty Ser. B, 8s, 2008                                                                  | 458,850   |
| 595,000   | Constellation Brands, Inc. sr. sub. notes Ser. B, 8 1/8s, 2012                                                                | 641,113   |
| 600,000   | CSC Holdings, Inc. debs. 7 5/8s, 2018                                                                                         | 568,500   |

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| 515,000   | CSC Holdings, Inc. sr. notes Ser. B, 7 5/8s, 2011                                                                     | 520,150   |
| 515,000   | CSC Holdings, Inc. 144A sr. notes 6 3/4s, 2012                                                                        | 496,975   |
| 240,000   | Dean Foods Co. sr. notes 6 5/8s, 2009                                                                                 | 248,400   |
| 310,000   | Del Monte Corp. company guaranty Ser. B, 9 1/4s, 2011                                                                 | 337,900   |
| 780,000   | Del Monte Corp. sr. sub. notes 8 5/8s, 2012                                                                           | 850,200   |
| 239,688   | Del Monte Foods Co. bank term loan FRN Ser. B, 3.505s, 2010 (acquired 12/16/02, cost \$238,490) (RES)                 | 242,984   |
| 202,350   | DirectTV bank term loan FRN Ser. B, 3.607s, 2010 (acquired various dates from 3/4/03 to 8/5/03, cost \$202,350) (RES) | 204,930   |
| 3,586,000 | Diva Systems Corp. sr. disc. notes Ser. B, 12 5/8s, 2008 (In default) (NON)                                           | 4,483     |
| 1,150,000 | Doane Pet Care Co. sr. sub. debts. 9 3/4s, 2007                                                                       | 1,081,000 |
| 22,277    | Dole Food Co. bank term loan FRN Ser. D, 4.386s, 2009 (acquired 3/28/03, cost \$22,278) (RES)                         | 22,612    |
| 365,000   | Dole Food Co. sr. notes 8 7/8s, 2011                                                                                  | 385,988   |
| 275,000   | Dole Food Co. sr. notes 8 5/8s, 2009                                                                                  | 288,750   |
| 160,000   | Dole Holding Co. bank term loan FRN 6.61s, 2010 (acquired 7/20/04, cost \$159,200) (RES)                              | 159,300   |
| 678,000   | Domino's, Inc. sr. sub. notes 8 1/4s, 2011                                                                            | 725,460   |
| 175,000   | Duane Reade, Inc. 144A sr. sub. notes 9 3/4s, 2011                                                                    | 174,563   |
| 560,000   | Eagle Family Foods company guaranty Ser. B, 8 3/4s, 2008                                                              | 392,000   |
| 1,305,000 | Echostar DBS Corp. sr. notes 6 3/8s, 2011                                                                             | 1,295,213 |
| 350,000   | Elizabeth Arden, Inc. company guaranty 7 3/4s, 2014                                                                   | 357,438   |
| 2,035,000 | Granite Broadcasting Corp. sec. notes 9 3/4s, 2010                                                                    | 1,862,025 |
| 104,475   | Insight Midwest LP/Insight Capital, Inc. bank term loan FRN 3.938s, 2009 (acquired 11/5/01, cost \$104,279) (RES)     | 105,941   |
| 500,000   | Jean Coutu Group, Inc. 144A sr. notes 7 5/8s, 2012 (Canada)                                                           | 503,750   |
| 1,005,000 | Jean Coutu Group, Inc. 144A sr. sub. notes 8 1/2s, 2014 (Canada)                                                      | 996,206   |
| 1,515,000 | Kabel Deutsheland GmbH 144A sr. notes 10 5/8s, 2014 (Germany)                                                         | 1,554,769 |
| 59,690    | Knology, Inc. 144A sr. notes 12s, 2009 (PIK)                                                                          | 56,109    |
| 815,000   | Land O'Lakes, Inc. sr. notes 8 3/4s, 2011                                                                             | 753,875   |
| 850,000   | Mediacom LLC/Mediacom Capital Corp. sr. notes 9 1/2s, 2013                                                            | 786,250   |
| 240,000   | MGM bank term loan FRN 3.84s, 2011 (acquired 4/21/04, cost \$240,000) (RES)                                           | 241,020   |
| 1,270,000 | News America Holdings, Inc. company                                                                                   |           |

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|           |                                                                                                                                        |           |
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|           | guaranty 9 1/4s, 2013                                                                                                                  | 1,605,893 |
| 515,000   | North Atlantic Trading Co. sr. notes<br>9 1/4s, 2012                                                                                   | 504,700   |
| 465,000   | Olympus Cable bank term loan FRN<br>Ser. B, 6 1/4s, 2010 (acquired<br>various dates from 6/20/02 to<br>11/06/02, cost \$374,206) (RES) | 448,559   |
| 965,000   | Pinnacle Foods Holding Corp. 144A<br>sr. sub. notes 8 1/4s, 2013                                                                       | 926,400   |
| 1,165,000 | Playtex Products, Inc. company<br>guaranty 9 3/8s, 2011                                                                                | 1,173,738 |
| 1,075,000 | Playtex Products, Inc. 144A secd.<br>notes 8s, 2011                                                                                    | 1,115,313 |
| 900,000   | Premier International Foods PLC sr.<br>notes 12s, 2009 (United Kingdom)                                                                | 958,500   |
| 1,030,000 | Prestige Brands, Inc. 144A sr. sub.<br>notes 9 1/4s, 2012                                                                              | 1,045,450 |
| 45,000    | Quebecor Media, Inc. sr. disc. notes<br>stepped-coupon zero % (13 3/4s,<br>7/15/06), 2011 (Canada) (STP)                               | 42,188    |
| 800,000   | Quebecor Media, Inc. sr. notes<br>11 1/8s, 2011 (Canada)                                                                               | 916,000   |
| 144,309   | Rayovac Corp. bank term loan FRN<br>Ser. B, 3.903s, 2009 (acquired<br>9/26/02, cost \$144,165) (RES)                                   | 145,933   |
| 1,030,000 | Remington Arms Co., Inc. company<br>guaranty 10 1/2s, 2011                                                                             | 1,009,400 |
| 164,587   | Rite Aid Corp. bank term loan FRN<br>4.408s, 2008 (acquired 5/16/03,<br>cost \$164,382) (RES)                                          | 167,879   |
| 780,000   | Rite Aid Corp. company guaranty<br>9 1/2s, 2011                                                                                        | 856,050   |
| 50,000    | Rite Aid Corp. debs. 6 7/8s, 2013                                                                                                      | 45,750    |
| 105,000   | Rite Aid Corp. notes 7 1/8s, 2007                                                                                                      | 106,838   |
| 525,000   | Rite Aid Corp. sec. notes 8 1/8s,<br>2010                                                                                              | 549,938   |
| 710,000   | Rite Aid Corp. sr. notes 9 1/4s,<br>2013                                                                                               | 743,725   |
| 55,000    | Rite Aid Corp. 144A notes 6s, 2005                                                                                                     | 55,275    |
| 293,263   | Roundy's bank term loan FRN 3.11s,<br>2009 (acquired 6/3/02, cost<br>\$293,263) (RES)                                                  | 295,646   |
| 1,220,000 | Sbarro, Inc. company guaranty 11s,<br>2009                                                                                             | 1,079,700 |
| 119,700   | Scotts Co. (The) bank term loan FRN<br>3.328s, 2010 (acquired 10/16/03,<br>cost \$119,700) (RES)                                       | 120,256   |
| 355,000   | Scotts Co. (The) sr. sub. notes<br>6 5/8s, 2013                                                                                        | 358,550   |
| 127,328   | Six Flags, Inc. bank term loan FRN<br>Ser. B, 3.87s, 2009<br>(acquired 1/15/03, cost \$127,169)<br>(RES)                               | 128,495   |
| 1,350,000 | Six Flags, Inc. sr. notes 9 5/8s,<br>2014                                                                                              | 1,252,125 |
| 3,140,000 | Six Flags, Inc. sr. notes 8 7/8s,<br>2010                                                                                              | 2,908,425 |
| 235,736   | Sum Media bank term loan FRN Ser. B,<br>3.42s, 2009 (acquired 2/4/03, cost<br>\$235,736) (RES)                                         | 237,603   |
| 405,000   | Videotron Ltee company guaranty<br>6 7/8s, 2014 (Canada)                                                                               | 392,850   |

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|               |                                                                                                                        |            |
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| 165,000       | Vivendi Universal SA bank term loan<br>FRN Ser. B, 4.07s, 2008 (acquired<br>6/23/03, cost \$165,000) (France)<br>(RES) | 165,619    |
| 1,070,000     | Vivendi Universal SA sr. notes<br>6 1/4s, 2008 (France)                                                                | 1,139,550  |
| 399,000       | Warner Music bank term loan FRN<br>4.173s, 2011 (acquired 4/8/04, cost<br>\$400,812) (RES)                             | 404,486    |
| 1,010,000     | Williams Scotsman, Inc. company<br>guaranty 9 7/8s, 2007                                                               | 999,900    |
| 1,068,000     | Young Broadcasting, Inc. company<br>guaranty 10s, 2011                                                                 | 1,078,680  |
| 510,000       | Young Broadcasting, Inc. sr. sub.<br>notes 8 3/4s, 2014                                                                | 484,500    |
|               | -----                                                                                                                  | 57,110,202 |
| Energy (3.8%) |                                                                                                                        |            |
| 1,105,000     | Arch Western Finance, LLC 144A sr.<br>notes 7 1/4s, 2013                                                               | 1,121,575  |
| 300,000       | Belden & Blake Corp. 144A sec. notes<br>8 3/4s, 2012                                                                   | 305,625    |
| 890,000       | BRL Universal Equipment sec. notes<br>8 7/8s, 2008                                                                     | 950,075    |
| 795,000       | CHC Helicopter Corp. 144A sr. sub.<br>notes 7 3/8s, 2014 (Canada)                                                      | 793,013    |
| 475,000       | Chesapeake Energy Corp. company<br>guaranty 9s, 2012                                                                   | 542,688    |
| 371,000       | Chesapeake Energy Corp. company<br>guaranty 7 3/4s, 2015                                                               | 392,333    |
| 1,365,000     | Chesapeake Energy Corp. sr. notes<br>7 1/2s, 2013                                                                      | 1,450,313  |
| 400,000       | Chesapeake Energy Corp. sr. notes<br>7s, 2014                                                                          | 403,000    |
| 720,000       | Comstock Resources, Inc. sr. notes<br>6 7/8s, 2012                                                                     | 707,400    |
| 240,000       | Dresser, Inc. bank term loan FRN<br>4.68s, 2010 (acquired 2/27/04, cost<br>\$241,683) (RES)                            | 244,380    |
| 975,000       | Dresser, Inc. company guaranty<br>9 3/8s, 2011                                                                         | 1,053,000  |
| 208,000       | El Paso Energy Partners LP company<br>guaranty Ser. B, 8 1/2s, 2011                                                    | 227,760    |
| 755,000       | Encore Acquisition Co. company<br>guaranty 8 3/8s, 2012                                                                | 819,175    |
| 360,000       | Encore Acquisition Co. 144A sr. sub.<br>notes 6 1/4s, 2014                                                             | 346,500    |
| 1,020,000     | Exco Resources, Inc. company<br>guaranty 7 1/4s, 2011                                                                  | 1,055,700  |
| 480,000       | Forest Oil Corp. company guaranty<br>7 3/4s, 2014                                                                      | 498,000    |
| 320,000       | Forest Oil Corp. sr. notes 8s, 2011                                                                                    | 344,800    |
| 275,000       | Forest Oil Corp. sr. notes 8s, 2008                                                                                    | 295,625    |
| 450,000       | Forest Oil Corp. 144A sr. notes 8s,<br>2011                                                                            | 484,875    |
| 1,190,000     | Gazprom OAO 144A notes 9 5/8s, 2013<br>(Russia)                                                                        | 1,245,038  |
| 555,000       | Hanover Compressor Co. sr. notes 9s,<br>2014                                                                           | 584,138    |
| 495,000       | Hanover Compressor Co. sr. notes                                                                                       |            |

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|           |                                                                                                             |           |
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|           | 8 5/8s, 2010                                                                                                | 524,700   |
| 745,000   | Hanover Compressor Co. sub. notes<br>zero %, 2007                                                           | 607,175   |
| 495,000   | Hanover Equipment Trust sec. notes<br>Ser. A, 8 1/2s, 2008                                                  | 528,413   |
| 670,000   | Hornbeck Offshore Services, Inc. sr.<br>notes 10 5/8s, 2008                                                 | 733,650   |
| 515,000   | KCS Energy, Inc. 144A sr. notes<br>7 1/8s, 2012                                                             | 515,000   |
| 410,000   | Key Energy Services, Inc. sr. notes<br>6 3/8s, 2013                                                         | 386,425   |
| 91,928    | Magellan Midstream Holdings bank<br>term loan FRN 4.65s, 2008 (acquired<br>6/13/03, cost \$91,009) (RES)    | 93,077    |
| 765,000   | Massey Energy Co. sr. notes 6 5/8s,<br>2010                                                                 | 780,300   |
| 980,000   | Newfield Exploration Co. sr. notes<br>7 5/8s, 2011                                                          | 1,053,500 |
| 655,000   | Offshore Logistics, Inc. company<br>guaranty 6 1/8s, 2013                                                   | 635,350   |
| 804,693   | Oslo Seismic Services, Inc. 1st<br>mtge. 8.28s, 2011                                                        | 748,364   |
| 505,000   | Pacific Energy Partners/Pacific<br>Energy Finance Corp. 144A sr. notes<br>7 1/8s, 2014                      | 516,363   |
| 150,000   | Parker Drilling Co. bank term loan<br>FRN 5.72s, 2007 (acquired 10/22/03,<br>cost \$150,000) (RES)          | 150,469   |
| 755,000   | Parker Drilling Co. company guaranty<br>Ser. B, 10 1/8s, 2009                                               | 800,300   |
| 122,203   | Peabody Energy Corp. bank term loan<br>FRN Ser. B, 3.252s, 2010 (acquired<br>3/20/03, cost \$122,203) (RES) | 123,425   |
| 1,065,000 | Peabody Energy Corp. sr. notes<br>5 7/8s, 2016                                                              | 985,125   |
| 880,000   | Pemex Project Funding Master Trust<br>company guaranty 8 5/8s, 2022                                         | 941,600   |
| 795,000   | Petro Geo-Services notes 10s, 2010<br>(Norway)                                                              | 842,700   |
| 1,626,000 | Petroleos Mexicanos company guaranty<br>9 1/2s, 2027 (Mexico)                                               | 1,869,900 |
| 1,410,000 | Petronas Capital, Ltd. company<br>guaranty 7 7/8s, 2022 (Malaysia)                                          | 1,570,458 |
| 315,000   | Petronas Capital, Ltd. company<br>guaranty 7s, 2012 (Malaysia)                                              | 345,335   |
| 350,000   | Petronas Capital, Ltd. 144A company<br>guaranty 7 7/8s, 2022 (Malaysia)                                     | 389,830   |
| 525,000   | Plains All American Pipeline<br>LP/Plains All American Finance<br>Corp. company guaranty 7 3/4s, 2012       | 592,582   |
| 800,000   | Plains Exploration & Production Co.<br>company guaranty Ser. B, 8 3/4s,<br>2012                             | 880,000   |
| 420,000   | Plains Exploration & Production Co.<br>sr. sub. notes 8 3/4s, 2012                                          | 462,000   |
| 520,000   | Plains Exploration & Production Co.<br>144A sr. notes 7 1/8s, 2014                                          | 534,300   |
| 920,000   | Pogo Producing Co. sr. sub. notes<br>Ser. B, 8 1/4s, 2011                                                   | 1,007,400 |
| 925,000   | Pride International, Inc. 144A sr.<br>notes 7 3/8s, 2014                                                    | 953,906   |
| 830,000   | Seabulk International, Inc. company                                                                         |           |

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|                    |                                                                                                                      |            |
|--------------------|----------------------------------------------------------------------------------------------------------------------|------------|
|                    | guaranty 9 1/2s, 2013                                                                                                | 859,050    |
| 420,000            | Seven Seas Petroleum, Inc. sr. notes<br>Ser. B, 12 1/2s, 2005 (In default)<br>(NON)                                  | 4          |
| 1,285,000          | Star Gas Partners LP/Star Gas<br>Finance Co. sr. notes 10 1/4s, 2013                                                 | 1,374,950  |
| 465,385            | Star Gas Propane 1st Mtge. 8.04s,<br>2009                                                                            | 500,288    |
| 205,000            | Universal Compression, Inc. sr.<br>notes 7 1/4s, 2010                                                                | 213,200    |
| 900,000            | Vintage Petroleum, Inc. sr. notes<br>8 1/4s, 2012                                                                    | 963,000    |
| 205,000            | Vintage Petroleum, Inc. sr. sub.<br>notes 7 7/8s, 2011                                                               | 212,175    |
|                    |                                                                                                                      | -----      |
|                    |                                                                                                                      | 37,559,327 |
| Financial (0.7%)   |                                                                                                                      |            |
|                    | -----                                                                                                                |            |
| 435,000            | Crescent Real Estate Equities LP<br>notes 7 1/2s, 2007 (R)                                                           | 441,525    |
| 1,075,000          | Crescent Real Estate Equities LP sr.<br>notes 9 1/4s, 2009 (R)                                                       | 1,128,750  |
| 1,255,000          | E(a)Trade Finance Corp. 144A sr.<br>notes 8s, 2011                                                                   | 1,261,275  |
| 2,305,466          | Finova Group, Inc. notes 7 1/2s,<br>2009                                                                             | 1,302,588  |
| 326,916            | Hilb, Rogal & Hamilton Co. bank term<br>loan FRN Ser. B, 3 7/8s,<br>2007 (acquired 6/20/02, cost<br>\$326,916) (RES) | 331,003    |
| 792,000            | iStar Financial, Inc. sr. notes<br>8 3/4s, 2008 (R)                                                                  | 891,000    |
| 180,000            | iStar Financial, Inc. sr. notes 7s,<br>2008 (R)                                                                      | 190,800    |
| 595,000            | iStar Financial, Inc. sr. notes 6s,<br>2010 (R)                                                                      | 596,488    |
| 760,000            | Western Financial Bank sub. debs.<br>9 5/8s, 2012                                                                    | 836,000    |
|                    |                                                                                                                      | -----      |
|                    |                                                                                                                      | 6,979,429  |
| Government (0.2%)  |                                                                                                                      |            |
|                    | -----                                                                                                                |            |
| 1,750,000          | Aries Vermogensverwaltnng 144A notes<br>9.6s, 2014 (Germany)                                                         | 1,850,625  |
| Health Care (3.4%) |                                                                                                                      |            |
|                    | -----                                                                                                                |            |
| 116,293            | Alderwoods Group, Inc. bank term<br>loan FRN 4.17s, 2008 (acquired<br>9/9/03, cost \$116,293) (RES)                  | 117,940    |
| 1,183,400          | Alderwoods Group, Inc. company<br>guaranty 12 1/4s, 2009                                                             | 1,306,178  |
| 805,000            | AmerisourceBergen Corp. company<br>guaranty 7 1/4s, 2012                                                             | 839,213    |
| 780,000            | AmerisourceBergen Corp. sr. notes<br>8 1/8s, 2008                                                                    | 846,300    |
| 1,375,000          | Ardent Health Services, Inc. sr.<br>sub. notes 10s, 2013                                                             | 1,491,875  |
| 186,094            | Beverly Enterprises, Inc. bank term<br>loan FRN 4.258s, 2008 (acquired                                               |            |

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|           |                                                                                                                             |           |
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|           | 10/20/03, cost \$185,629) (RES)                                                                                             | 188,575   |
| 442,125   | Community Health Systems, Inc. bank term loan FRN Ser. B, 3.6s, 2010 (acquired 7/11/02, cost \$442,125) (RES)               | 442,263   |
| 297,000   | Concentra bank term loan FRN 4.957s, 2009 (acquired 8/12/03, cost \$297,000) (RES)                                          | 300,836   |
| 230,846   | Dade Behring, Inc. company guaranty 11.91s, 2010                                                                            | 263,164   |
| 495,684   | DaVita, Inc. bank term loan FRN Ser. B, 3.483s, 2009 (acquired various dates from 7/17/03 to 1/30/04, cost \$497,997) (RES) | 500,110   |
| 470,000   | Extendicare Health Services, Inc. company guaranty 9 1/2s, 2010                                                             | 523,463   |
| 745,000   | Extendicare Health Services, Inc. 144A sr. sub. notes 6 7/8s, 2014                                                          | 711,475   |
| 165,993   | Fisher Scientific International, Inc. bank term loan FRN 3.34s, 2010 (acquired 2/13/03, cost \$165,993) (RES)               | 166,685   |
| 160,000   | Fisher Scientific International, Inc. bank term loan FRN 2.61s, 2011 (acquired 6/15/04, cost \$160,000) (RES)               | 161,300   |
| 148,875   | Hanger Orthopedic Group, Inc. bank term loan FRN 4.34s, 2009 (acquired 9/29/03, cost \$148,875) (RES)                       | 149,681   |
| 1,070,000 | Hanger Orthopedic Group, Inc. company guaranty 10 3/8s, 2009                                                                | 1,075,350 |
| 920,000   | HCA, Inc. debs. 7.19s, 2015                                                                                                 | 964,816   |
| 350,000   | HCA, Inc. notes 8.36s, 2024                                                                                                 | 376,507   |
| 750,000   | HCA, Inc. notes 7.69s, 2025                                                                                                 | 752,219   |
| 1,385,000 | HCA, Inc. notes 7s, 2007                                                                                                    | 1,477,525 |
| 285,000   | HCA, Inc. notes 5 3/4s, 2014                                                                                                | 274,594   |
| 1,365,000 | Healthsouth Corp. notes 7 5/8s, 2012                                                                                        | 1,279,688 |
| 705,000   | Healthsouth Corp. sr. notes 8 1/2s, 2008                                                                                    | 699,713   |
| 340,000   | Healthsouth Corp. sr. notes 8 3/8s, 2011                                                                                    | 328,100   |
| 290,000   | Healthsouth Corp. sr. notes 7s, 2008                                                                                        | 281,300   |
| 565,000   | IASIS Healthcare/IASIS Capital Corp. 144A sr. sub. notes 8 3/4s, 2014                                                       | 587,600   |
| 515,000   | Insight Health Services Corp. 144A company guaranty 9 7/8s, 2011                                                            | 554,913   |
| 186,375   | Kinetic Concepts, Inc. bank term loan FRN 3.59s, 2011 (acquired 8/5/03, cost \$186,891) (RES)                               | 188,705   |
| 340,845   | Magellan Health Services, Inc. sr. notes Ser. A, 9 3/8s, 2008                                                               | 365,556   |
| 200,000   | MedCath Holdings Corp. 144A sr. notes 9 7/8s, 2012                                                                          | 203,500   |
| 204,188   | Medex, Inc. bank term loan FRN 4.38s, 2009 (acquired various dates from 5/16/03 to 6/16/03, cost \$204,090) (RES)           | 205,655   |
| 940,000   | Mediq, Inc. debs. 13s, 2009 (In default) (NON)                                                                              | 94        |
| 1,285,000 | MedQuest, Inc. company guaranty Ser. B, 11 7/8s, 2012                                                                       | 1,458,475 |
| 260,000   | Omega Health Care Investors 144A sr.                                                                                        |           |

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|                   |                                                                                                    |            |
|-------------------|----------------------------------------------------------------------------------------------------|------------|
|                   | notes 7s, 2014                                                                                     | 247,650    |
| 1,045,000         | Omnicare, Inc. sr. sub. notes<br>6 1/8s, 2013                                                      | 992,750    |
| 1,022,000         | PacifiCare Health Systems, Inc.<br>company guaranty 10 3/4s, 2009                                  | 1,162,525  |
| 1,055,000         | Province Healthcare Co. sr. sub.<br>notes 7 1/2s, 2013                                             | 1,033,900  |
| 390,000           | Service Corp. International debs.<br>7 7/8s, 2013                                                  | 398,775    |
| 105,000           | Service Corp. International notes<br>7.2s, 2006                                                    | 109,725    |
| 35,000            | Service Corp. International notes<br>6 7/8s, 2007                                                  | 36,138     |
| 155,000           | Service Corp. International notes<br>6 1/2s, 2008                                                  | 158,100    |
| 370,000           | Service Corp. International notes<br>Ser. (a), 7.7s, 2009                                          | 389,425    |
| 1,085,000         | Service Corp. International 144A sr.<br>notes 6 3/4s, 2016                                         | 1,023,969  |
| 1,010,000         | Stewart Enterprises, Inc. notes<br>10 3/4s, 2008                                                   | 1,122,363  |
| 530,000           | Tenet Healthcare Corp. notes 7 3/8s,<br>2013                                                       | 490,250    |
| 25,000            | Tenet Healthcare Corp. sr. notes<br>6 1/2s, 2012                                                   | 22,125     |
| 645,000           | Tenet Healthcare Corp. sr. notes<br>6 3/8s, 2011                                                   | 575,663    |
| 1,240,000         | Tenet Healthcare Corp. 144A sr.<br>notes 9 7/8s, 2014                                              | 1,288,050  |
| 1,150,000         | Triad Hospitals, Inc. sr. notes 7s,<br>2012                                                        | 1,175,875  |
| 2,275,000         | Triad Hospitals, Inc. sr. sub. notes<br>7s, 2013                                                   | 2,240,875  |
| 740,000           | Universal Hospital Services, Inc.<br>sr. notes 10 1/8s, 2011                                       | 745,550    |
| 425,000           | Ventas Realty LP/Capital Corp.<br>company guaranty 9s, 2012                                        | 471,750    |
| 80,000            | VWR International Inc. bank term<br>loan FRN 3.77s, 2011 (acquired<br>4/5/04, cost \$80,000) (RES) | 81,460     |
| 480,000           | VWR International, Inc. 144A sr.<br>notes 6 7/8s, 2012                                             | 484,800    |
|                   |                                                                                                    | -----      |
|                   |                                                                                                    | 33,335,086 |
| Technology (1.3%) |                                                                                                    |            |
| -----             |                                                                                                    |            |
| 625,000           | AMI Semiconductor, Inc. company<br>guaranty 10 3/4s, 2013                                          | 728,125    |
| 1,030,000         | Celestica Inc. sr.sub. notes 7 7/8s,<br>2011 (Canada)                                              | 1,053,175  |
| 705,000           | DigitalNet Holdings, Inc. sr. notes<br>9s, 2010                                                    | 752,588    |
| 1,000,000         | Freescale Semiconductor, Inc. 144A<br>sr. notes 7 1/8s, 2014                                       | 1,015,000  |
| 305,000           | Iron Mountain, Inc. company guaranty<br>8 5/8s, 2013                                               | 327,875    |
| 770,000           | Iron Mountain, Inc. sr. sub. notes<br>8 1/4s, 2011                                                 | 799,838    |
| 100,000           | Lucent Technologies, Inc. debs.<br>6 1/2s, 2028                                                    | 76,000     |
| 1,435,000         | Lucent Technologies, Inc. debs.                                                                    |            |



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|                          |                                                                                                          |            |
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|                          | 6.45s, 2029                                                                                              | 1,094,188  |
| 75,000                   | Lucent Technologies, Inc. notes<br>5 1/2s, 2008                                                          | 70,875     |
| 530,000                  | Nortel Networks Corp. notes 6 1/8s,<br>2006 (Canada)                                                     | 529,338    |
| 711,000                  | ON Semiconductor Corp. company<br>guaranty 13s, 2008                                                     | 801,653    |
| 465,000                  | SCG Holding Corp. 144A notes zero %,<br>2011                                                             | 646,350    |
| 855,000                  | Seagate Technology Hdd Holdings<br>company guaranty 8s, 2009 (Cayman<br>Islands)                         | 887,063    |
| 850,000                  | UGS Corp. 144A sr. sub. notes 10s,<br>2012                                                               | 901,000    |
| 1,075,000                | Xerox Capital Trust I company<br>guaranty 8s, 2027                                                       | 972,875    |
| 255,000                  | Xerox Corp. company guaranty 9 3/4s,<br>2009                                                             | 290,700    |
| 555,000                  | Xerox Corp. notes Ser. MTN, 7.2s,<br>2016                                                                | 530,025    |
| 1,565,000                | Xerox Corp. sr. notes 7 5/8s, 2013                                                                       | 1,604,125  |
|                          |                                                                                                          | -----      |
|                          |                                                                                                          | 13,080,793 |
| Transportation (0.5%)    |                                                                                                          |            |
|                          |                                                                                                          | -----      |
| 65,000                   | Allied Holdings, Inc. company<br>guaranty Ser. B, 8 5/8s, 2007                                           | 56,550     |
| 760,000                  | American Airlines, Inc. pass-through<br>certificates Ser. 01-1, 6.817s,<br>2011                          | 680,200    |
| 1,365,000                | Calair, LLC/Calair Capital Corp.<br>company guaranty 8 1/8s, 2008                                        | 1,037,400  |
| 445,000                  | Delta Air Lines, Inc. pass-through<br>certificates Ser. 00-1, 7.779s,<br>2005                            | 274,888    |
| 325,588                  | Delta Air Lines, Inc. pass-through<br>certificates Ser. 02-1, 7.779s,<br>2012                            | 169,306    |
| 1,270,000                | Kansas City Southern Railway Co.<br>company guaranty 9 1/2s, 2008                                        | 1,384,300  |
| 260,000                  | Kansas City Southern Railway Co.<br>company guaranty 7 1/2s, 2009                                        | 261,625    |
| 770,000                  | Northwest Airlines, Inc. company<br>guaranty 7 5/8s, 2005                                                | 746,900    |
| 332,615                  | NWA Trust sr. notes Ser. A, 9 1/4s,<br>2012                                                              | 330,952    |
| 207,221                  | Pacer International, Inc. bank term<br>loan FRN 4.356s, 2010 (acquired<br>6/10/03, cost \$208,157) (RES) | 209,811    |
| 260,000                  | Travel Centers of America, Inc.<br>company guaranty 12 3/4s, 2009                                        | 301,600    |
|                          |                                                                                                          | -----      |
|                          |                                                                                                          | 5,453,532  |
| Utilities & Power (4.3%) |                                                                                                          |            |
|                          |                                                                                                          | -----      |
| 77,000                   | AES Corp. (The) sr. notes 8 7/8s,<br>2011                                                                | 81,428     |
| 43,000                   | AES Corp. (The) sr. notes 8 3/4s,<br>2008                                                                | 45,150     |
| 1,085,000                | AES Corp. (The) 144A sec. notes 9s,                                                                      |            |

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|           |                                                                                                      |           |
|-----------|------------------------------------------------------------------------------------------------------|-----------|
|           | 2015                                                                                                 | 1,182,650 |
| 1,530,000 | AES Corp. (The) 144A sec. notes<br>8 3/4s, 2013                                                      | 1,671,525 |
| 740,000   | Allegheny Energy Supply 144A bonds<br>8 1/4s, 2012                                                   | 743,700   |
| 475,000   | Allegheny Energy Supply 144A sec.<br>notes 10 1/4s, 2007                                             | 517,750   |
| 299,250   | Allegheny Energy, Inc. bank term<br>loan FRB 5.622s, 2011 (acquired<br>3/5/04, cost \$299,250) (RES) | 304,425   |
| 800,000   | Calpine Canada Energy Finance<br>company guaranty 8 1/2s, 2008<br>(Canada)                           | 500,000   |
| 225,000   | Calpine Corp. 144A sec. notes<br>8 3/4s, 2013                                                        | 180,000   |
| 2,315,000 | Calpine Corp. 144A sec. notes<br>8 1/2s, 2010                                                        | 1,863,575 |
| 390,000   | CenterPoint Energy Resources Corp.<br>debs. 6 1/2s, 2008                                             | 415,967   |
| 335,000   | CenterPoint Energy Resources Corp.<br>sr. notes Ser. B, 7 7/8s, 2013                                 | 387,039   |
| 130,000   | CMS Energy Corp. pass-through<br>certificates 7s, 2005                                               | 130,813   |
| 1,190,000 | CMS Energy Corp. sr. notes 8.9s,<br>2008                                                             | 1,270,325 |
| 315,000   | CMS Energy Corp. sr. notes 8 1/2s,<br>2011                                                           | 330,750   |
| 250,000   | CMS Energy Corp. 144A sr. notes<br>7 3/4s, 2010                                                      | 255,625   |
| 875,000   | DPL, Inc. sr. notes 6 7/8s, 2011                                                                     | 890,313   |
| 160,000   | Dynegy Holdings, Inc. bank term loan<br>FRN 5.36s, 2010 (acquired<br>6/8/04, cost \$160,000) (RES)   | 162,800   |
| 425,000   | Dynegy Holdings, Inc. sr. notes<br>6 7/8s, 2011                                                      | 382,500   |
| 1,990,000 | Dynegy Holdings, Inc. 144A sec.<br>notes 10 1/8s, 2013                                               | 2,193,975 |
| 525,000   | Dynegy-Roseton Danskamme company<br>guaranty Ser. A, 7.27s, 2010                                     | 509,250   |
| 800,000   | Dynegy-Roseton Danskamme company<br>guaranty Ser. B, 7.67s, 2016                                     | 704,000   |
| 370,000   | Edison Mission Energy sr. notes 10s,<br>2008                                                         | 419,950   |
| 15,000    | Edison Mission Energy sr. notes<br>9 7/8s, 2011                                                      | 16,800    |
| 560,000   | El Paso Corp. sr. notes 7 3/8s, 2012                                                                 | 499,800   |
| 1,275,000 | El Paso Corp. sr. notes Ser. MTN,<br>7 3/4s, 2032                                                    | 1,035,938 |
| 265,000   | El Paso Natural Gas Co. debs.<br>8 5/8s, 2022                                                        | 268,313   |
| 240,000   | El Paso Natural Gas Co. sr. notes<br>Ser. A, 7 5/8s, 2010                                            | 248,400   |
| 1,390,000 | El Paso Production Holding Co.<br>company guaranty 7 3/4s, 2013                                      | 1,323,975 |
| 910,000   | Ferrellgas Partners LP/Ferrellgas<br>Partners Finance 144A sr. notes<br>6 3/4s, 2014                 | 880,425   |
| 300,000   | Kansas Gas & Electric debs. 8.29s,<br>2016                                                           | 312,257   |
| 1,765,000 | Midwest Generation LLC 144A sec.<br>notes 8 3/4s, 2034                                               | 1,870,900 |
| 1,180,000 | Mission Energy Holding Co. sec.                                                                      |           |

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|           |                                                                                                 |           |
|-----------|-------------------------------------------------------------------------------------------------|-----------|
|           | notes 13 1/2s, 2008                                                                             | 1,463,200 |
| 560,000   | Monongahela Power Co. 144A 1st.<br>mtge. 6.7s, 2014                                             | 570,904   |
| 930,000   | Nevada Power Co. 2nd mtge. 9s, 2013                                                             | 1,036,950 |
| 1,400,000 | Northwest Pipeline Corp. company<br>guaranty 8 1/8s, 2010                                       | 1,552,250 |
| 90,000    | Northwestern Corp. debts. 6.95s, 2028<br>(In default) (NON)                                     | 78,075    |
| 160,000   | Northwestern Corp. notes 8 3/4s,<br>2012 (In default) (NON)                                     | 140,000   |
| 655,000   | Northwestern Corp. notes 7 7/8s,<br>2007 (In default) (NON)                                     | 573,125   |
| 2,795,000 | NRG Energy, Inc. 144A sr. sec. notes<br>8s, 2013                                                | 2,857,888 |
| 805,000   | Orion Power Holdings, Inc. sr. notes<br>12s, 2010                                               | 966,000   |
| 1,185,000 | PG&E Corp. sec. notes 6 7/8s, 2008                                                              | 1,257,581 |
| 220,000   | PG&E Gas Transmission Northwest sr.<br>notes 7.1s, 2005                                         | 224,950   |
| 850,000   | PSEG Energy Holdings, Inc. notes<br>7 3/4s, 2007                                                | 896,750   |
| 670,000   | SEMCO Energy, Inc. sr. notes 7 3/4s,<br>2013                                                    | 703,500   |
| 210,000   | Sierra Pacific Power Co. 144A<br>general ref. mtge. 6 1/4s, 2012                                | 205,800   |
| 1,285,000 | Sierra Pacific Resources 144A sr.<br>notes 8 5/8s, 2014                                         | 1,329,975 |
| 130,000   | Southern California Edison Co. notes<br>6 3/8s, 2006                                            | 136,030   |
| 440,000   | Teco Energy, Inc. notes 10 1/2s,<br>2007                                                        | 503,800   |
| 250,000   | Teco Energy, Inc. notes 7.2s, 2011                                                              | 256,875   |
| 400,000   | Teco Energy, Inc. notes 7s, 2012                                                                | 403,000   |
| 105,000   | Tennessee Gas Pipeline Co. debts. 7s,<br>2028                                                   | 93,319    |
| 181,538   | Teton Power Funding bank term loan<br>FRN 4.8s, 2011 (acquired 2/4/04,<br>cost \$181,538) (RES) | 183,127   |
| 135,000   | Transcontinental Gas Pipeline Corp.<br>debts. 7 1/4s, 2026                                      | 135,000   |
| 160,000   | Unisource Energy bank term loan FRN<br>5.652s, 2011 (acquired 3/25/04,<br>cost \$158,400) (RES) | 157,800   |
| 1,460,000 | Utilicorp Canada Finance Corp.<br>company guaranty 7 3/4s, 2011<br>(Canada)                     | 1,361,450 |
| 510,000   | Utilicorp United, Inc. sr. notes<br>9.95s, 2011                                                 | 517,650   |
| 547,000   | Western Resources, Inc. sr. notes<br>9 3/4s, 2007                                               | 623,165   |
| 200,000   | Williams Cos., Inc. (The) notes<br>8 3/4s, 2032                                                 | 210,750   |
| 210,000   | Williams Cos., Inc. (The) notes<br>8 1/8s, 2012                                                 | 229,425   |
| 755,000   | Williams Cos., Inc. (The) notes<br>7 5/8s, 2019                                                 | 762,550   |
| 975,000   | Williams Cos., Inc. (The) sr. notes<br>8 5/8s, 2010                                             | 1,094,438 |
| 163,354   | Williams Products bank term loan FRN<br>3.88s, 2007 (acquired 6/4/03, cost<br>\$163,354) (RES)  | 165,260   |
| 334,976   | York Power Funding 144A notes 12s,                                                              |           |

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2007 (Cayman Islands) (In default)  
(NON) 34

42,290,939

Total Corporate bonds and notes  
(cost \$401,372,494) \$406,395,249

Foreign government bonds and notes (14.2%) (a)  
Principal amount Value

|     |           |                                                                                          |             |
|-----|-----------|------------------------------------------------------------------------------------------|-------------|
| AUD | 4,500,000 | Australia (Government of) bonds<br>6 1/4s, 2015                                          | \$3,237,550 |
| EUR | 6,000,000 | Austria (Republic of) 144A notes<br>Ser. EMTN, 3.8s, 2013                                | 6,999,908   |
| USD | 980,000   | Brazil (Federal Republic of) bonds<br>10 1/2s, 2014                                      | 979,020     |
| USD | 940,000   | Brazil (Federal Republic of) bonds<br>10 1/8s, 2027                                      | 871,850     |
| USD | 1,360,000 | Brazil (Federal Republic of) unsub.<br>notes 11s, 2040                                   | 1,334,840   |
| USD | 1,300,000 | Bulgaria (Republic of) 144A bonds<br>8 1/4s, 2015                                        | 1,537,250   |
| CAD | 2,725,000 | Canada (Government of) bonds 5 1/2s,<br>2010                                             | 2,166,793   |
| CAD | 930,000   | Canada (Government of) bonds<br>Ser. WL43, 5 3/4s, 2029                                  | 744,882     |
| USD | 220,000   | Colombia (Republic of) bonds<br>10 3/8s, 2033                                            | 224,400     |
| USD | 1,145,000 | Colombia (Republic of) bonds<br>Ser. NOV, 9 3/4s, 2009                                   | 1,249,768   |
| USD | 3,010,000 | Colombia (Republic of) notes<br>10 3/4s, 2013                                            | 3,360,665   |
| EUR | 400,000   | Colombia (Republic of) unsub. bonds<br>Ser. 15A, 11 3/8s, 2008                           | 551,145     |
| USD | 460,000   | Dominican (Republic of) notes 9.04s,<br>2013                                             | 296,700     |
| USD | 2,085,000 | Ecuador (Republic of) bonds<br>stepped-coupon Ser. REGS, 7s (8s,<br>8/15/04), 2030 (STP) | 1,546,028   |
| USD | 380,000   | El Salvador (Republic of) 144A bonds<br>8 1/4s, 2032                                     | 359,100     |
| EUR | 1,845,000 | France (Government of) bonds 5 3/4s,<br>2032                                             | 2,529,942   |
| EUR | 4,830,000 | France (Government of) bonds 5 1/2s,<br>2010                                             | 6,367,247   |
| EUR | 9,000,000 | France (Government of) bonds 4s,<br>2013                                                 | 10,726,749  |
| EUR | 1,080,000 | France (Government of) deb. 4s, 2009                                                     | 1,326,216   |
| EUR | 7,250,000 | Germany (Federal Republic of) bonds<br>Ser. 97, 6s, 2007                                 | 9,448,358   |
| EUR | 6,340,000 | Germany (Federal Republic of) bonds<br>Ser. 97, 6s, 2007                                 | 8,189,915   |
| EUR | 1,875,000 | Hellenic Greece (Republic of) bonds<br>3 1/2s, 2008                                      | 2,272,436   |
| USD | 260,000   | Indonesia (Republic of) FRN 2.005s,<br>2006                                              | 246,350     |
| USD | 645,000   | Indonesia (Republic of) FRN 2.005s,<br>2005                                              | 627,263     |
| USD | 2,250,000 | Indonesia (Republic of) 144A sr.<br>notes 6 3/4s, 2014                                   | 2,081,250   |
| NZD | 7,610,000 | New Zealand (Government of) bonds                                                        |             |

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|                                    |            |                                      |               |
|------------------------------------|------------|--------------------------------------|---------------|
|                                    |            | Ser. 1106, 8s, 2006                  | 5,004,131     |
| NZD                                | 8,036,000  | New Zealand (Government of) bonds    |               |
|                                    |            | Ser. 709, 7s, 2009                   | 5,246,076     |
| USD                                | 520,000    | Peru (Republic of) bonds 8 3/4s,     |               |
|                                    |            | 2033                                 | 466,700       |
| USD                                | 495,000    | Philippines (Republic of) bonds      |               |
|                                    |            | 9 7/8s, 2019                         | 509,850       |
| USD                                | 845,000    | Philippines (Republic of) sr. notes  |               |
|                                    |            | 8 7/8s, 2015                         | 840,775       |
| USD                                | 5,772,500  | Russia (Federation of) 144A unsub.   |               |
|                                    |            | stepped-coupon 5s (7 1/2s,           |               |
|                                    |            | 3/31/07), 2030 (STP)                 | 5,296,269     |
| USD                                | 1,335,000  | Russia (Ministry of Finance) deb.    |               |
|                                    |            | Ser. V, 3s, 2008                     | 1,174,800     |
| USD                                | 2,705,000  | South Africa (Republic of) notes     |               |
|                                    |            | 7 3/8s, 2012                         | 2,956,565     |
| USD                                | 740,000    | South Africa (Republic of) notes     |               |
|                                    |            | 6 1/2s, 2014                         | 760,350       |
| SEK                                | 43,075,000 | Sweden (Government of) bonds Ser.    |               |
|                                    |            | 1041, 6 3/4s, 2014                   | 6,569,135     |
| SEK                                | 37,600,000 | Sweden (Government of) bonds Ser.    |               |
|                                    |            | 3101, 4s, 2008                       | 6,058,864     |
| USD                                | 935,000    | Turkey (Republic of) notes 9s, 2011  | 979,413       |
| USD                                | 470,408    | Ukraine (Government of) sr. notes    |               |
|                                    |            | Ser. REGS, 11s, 2007                 | 506,159       |
| USD                                | 1,025,000  | Ukraine (Government of) 144A bonds   |               |
|                                    |            | 7.65s, 2013                          | 984,000       |
| USD                                | 1,515,000  | Ukraine (Government of) 144A unsub.  |               |
|                                    |            | notes 6 7/8s, 2011                   | 1,441,144     |
| GBP                                | 1,055,000  | United Kingdom treasury bonds        |               |
|                                    |            | 8 3/4s, 2017                         | 2,584,776     |
| GBP                                | 5,000,000  | United Kingdom treasury bonds        |               |
|                                    |            | 7 1/4s, 2007                         | 9,691,006     |
| GBP                                | 1,100,000  | United Kingdom treasury bonds 5s,    |               |
|                                    |            | 2012                                 | 1,985,020     |
| GBP                                | 2,625,000  | United Kingdom treasury bonds        |               |
|                                    |            | 7 1/2s, 2006                         | 5,030,505     |
| GBP                                | 5,400,000  | United Kingdom treasury bonds        |               |
|                                    |            | 4 1/2s, 2007                         | 9,690,642     |
| USD                                | 1,855,000  | United Mexican States bonds          |               |
|                                    |            | Ser. MTN, 8.3s, 2031                 | 2,003,400     |
| USD                                | 570,000    | Venezuela (Republic of) bonds        |               |
|                                    |            | 9 3/8s, 2034                         | 501,600       |
| USD                                | 650,000    | Venezuela (Republic of) notes        |               |
|                                    |            | 10 3/4s, 2013                        | 674,700       |
| USD                                | 1,020,000  | Venezuela (Republic of) unsub. bonds |               |
|                                    |            | 5 3/8s, 2010                         | 844,050       |
|                                    |            |                                      | -----         |
| Total Foreign government bonds and |            |                                      |               |
| notes (cost \$132,628,270)         |            |                                      | \$141,075,555 |

## Asset-backed securities (6.5%) (a)

| Principal amount                            | Value     |
|---------------------------------------------|-----------|
| -----                                       |           |
| \$380,732 ABSC NIMS Trust 144A Ser. 03-HE5, |           |
| Class A, 7s, 2033                           | \$382,636 |
| Aegis Asset Backed Securities Trust         |           |
| 144A                                        |           |
| 193,449 Ser. 04-1N, Class NOTE, 5s, 2034    | 193,237   |
| 421,202 Ser. 04-2N, Class N1, 4 1/2s, 2034  | 419,622   |
| 8,983,636 Amortizing Residential Collateral |           |
| Trust Ser. 02-BC1, Class A,                 |           |

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|            |                                                                                                          |           |
|------------|----------------------------------------------------------------------------------------------------------|-----------|
|            | Interest Only (IO), 6s, 2005                                                                             | 170,653   |
|            | AQ Finance NIM Trust 144A                                                                                |           |
| 152,366    | Ser. 03-N2, Class NOTE, 9.3s, 2033                                                                       | 153,318   |
| 121,104    | Ser. 03-N9A, Class NOTE, 7.385s, 2033                                                                    | 121,861   |
| 20,625     | Arc Net Interest Margin Trust 144A                                                                       |           |
|            | Ser. 02-8A, Class A1, 7 3/4s, 2032                                                                       | 20,455    |
|            | Arcap REIT, Inc. 144A                                                                                    |           |
| 535,000    | Ser. 03-1A, Class E, 7.11s, 2038 (R)                                                                     | 555,564   |
| 304,000    | Ser. 04-1A, Class E, 6.42s, 2039 (R)                                                                     | 301,767   |
|            | Argent NIM Trust 144A                                                                                    |           |
| 241,883    | Ser. 03-N6, Class A, 6.4s, 2034                                                                          | 241,883   |
| 126,516    | Ser. 04-WN2, Class A, 4.55s, 2034                                                                        | 126,042   |
|            | Asset Backed Funding Corp. NIM Trust 144A                                                                |           |
| 63,077     | Ser. 03-WF1, Class N1, 8.35s, 2032                                                                       | 63,077    |
| 220,000    | Ser. 04-OPT1, Class N2, 6.9s, 2033                                                                       | 220,000   |
| 444,757    | Aviation Capital Group Trust 144A                                                                        |           |
|            | FRB Ser. 03-2A, Class G1, 2.12s, 2033                                                                    | 446,425   |
| 480,000    | Bank One Issuance Trust FRB Ser. 03-C4, Class C4, 2.41s, 2011                                            | 488,121   |
|            | Bayview Financial Acquisition Trust                                                                      |           |
| 694,990    | Ser. 02-CA, Class A, IO, 5.1s, 2004                                                                      | 8,144     |
| 30,816,172 | Ser. 03-X, Class A, IO, 0.89s, 2006                                                                      | 520,023   |
| 594,000    | Bear Stearns Asset Backed Securities NIM Trust 144A Ser. 04-HE6, Class A1, 5 1/4s, 2034 (Cayman Islands) | 594,000   |
|            | CARSSX Finance, Ltd. 144A                                                                                |           |
| 170,000    | FRB Ser. 04-AA, Class B3, 4.73s, 2011 (Cayman Islands)                                                   | 170,000   |
| 220,000    | FRB Ser. 04-AA, Class B4, 6.88s, 2011 (Cayman Islands)                                                   | 220,000   |
| 490,000    | Chase Credit Card Master Trust FRB Ser. 03-3, Class C, 2.46s, 2010                                       | 499,972   |
|            | Chase Funding Net Interest Margin 144A                                                                   |           |
| 58,649     | Ser. 03-2A, Class NOTE, 8 3/4s, 2035                                                                     | 58,649    |
| 323,268    | Ser. 03-4A, Class NOTE, 6 3/4s, 2036                                                                     | 323,268   |
|            | Conseco Finance Securitizations Corp.                                                                    |           |
| 524,000    | Ser. 00-2, Class A4, 8.48s, 2021                                                                         | 536,383   |
| 4,469,000  | Ser. 00-4, Class A6, 8.31s, 2032                                                                         | 3,823,000 |
| 1,535,000  | Ser. 00-6, Class M2, 8.2s, 2032                                                                          | 207,225   |
| 32,000     | Ser. 01-04, Class A4, 7.36s, 2033                                                                        | 31,271    |
| 697,000    | Ser. 01-1, Class A5, 6.99s, 2032                                                                         | 634,806   |
| 18,000     | Ser. 01-3, Class A3, 5.79s, 2033                                                                         | 17,756    |
| 1,594,000  | Ser. 01-3, Class A4, 6.91s, 2033                                                                         | 1,471,872 |
| 400,000    | Ser. 01-3, Class M2, 7.44s, 2033                                                                         | 76,000    |
| 1,436,000  | Ser. 01-4, Class B1, 9.4s, 2010                                                                          | 215,400   |
| 3,325,679  | Ser. 02-1, Class A, 6.681s, 2033                                                                         | 3,411,180 |
| 414,000    | FRB Ser. 01-4, Class M1, 3.11s, 2033                                                                     | 170,775   |
| 1,100,000  | Consumer Credit Reference IDX Securities FRB Ser. 02-1A, Class A, 3.55s, 2007                            | 1,113,970 |
| 419,396    | Countrywide Asset Backed Certificates 144A Ser. 04-BC1N, Class NOTE, 5 1/2s, 2035                        | 418,085   |
| 603,000    | Crest, Ltd. 144A Ser. 03-2A, Class E2, 8s, 2038                                                          | 552,122   |
| 371,490    | First Franklin NIM Trust 144A Ser. 03-FF3A, Class A, 6 3/4s, 2033                                        | 370,048   |
|            | Fremont NIM Trust 144A                                                                                   |           |

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|     |             |                                                                                  |           |
|-----|-------------|----------------------------------------------------------------------------------|-----------|
|     | 89,375      | Ser. 03-B, Class NOTE, 5.65s, 2033                                               | 89,152    |
|     | 700,457     | Ser. 04-A, Class NOTE, 4 3/4s, 2034                                              | 698,356   |
|     |             | Granite Mortgages PLC                                                            |           |
| GBP | 1,505,000   | FRB Ser. 03-2, Class 3C, 6.38s, 2043 (United Kingdom)                            | 2,813,831 |
| EUR | 2,005,000   | FRN Ser. 03-2, Class 2C1, 5.2s, 2043 (United Kingdom)                            | 2,445,199 |
|     | \$490,000   | FRB Ser. 02-1, Class 1C, 2.93s, 2042 (United Kingdom)                            | 498,345   |
|     |             | Green Tree Financial Corp.                                                       |           |
|     | 248,473     | Ser. 95-F, Class B2, 7.1s, 2021                                                  | 223,470   |
|     | 162,816     | Ser. 99-3, Class A5, 6.16s, 2031                                                 | 164,851   |
|     | 1,739,000   | Ser. 99-5, Class A5, 7.86s, 2030                                                 | 1,523,684 |
|     |             | Greenpoint Manufactured Housing                                                  |           |
|     | 2,616,493   | Ser. 00-3, Class 1A, 8.45s, 2031                                                 | 2,376,406 |
|     | 50,000      | Ser. 99-5, Class A4, 7.59s, 2028                                                 | 52,767    |
|     | 1,663,000   | GS Auto Loan Trust 144A Ser. 04-1, Class D, 5s, 2011                             | 1,635,647 |
|     |             | GSAMP Trust 144A                                                                 |           |
|     | 160,693     | Ser. 03-HE1N, Class NOTE, 7 1/4s, 2033                                           | 160,308   |
|     | 537,128     | Ser. 04, Class NOTE, 5 1/2s, 2032                                                | 536,323   |
|     | 332,856     | Ser. 04-FM1N, Class NOTE, 5 1/4s, 2033                                           | 332,510   |
|     | 300,000     | Ser. 04-HE1N, Class N1, 5s, 2034                                                 | 299,640   |
|     | 331,000     | Holmes Financing PLC FRB Ser. 8, Class 2C, 2.32s, 2040 (United Kingdom)          | 331,104   |
|     |             | Holmes Financing PLC FRB                                                         |           |
|     | 300,000     | Ser. 4, Class 3C, 2.9s, 2040 (United Kingdom)                                    | 304,294   |
|     | 690,000     | Ser. 5, Class 2C, 3.05s, 2040 (United Kingdom)                                   | 694,960   |
|     |             | Home Equity Asset Trust 144A                                                     |           |
|     | 312,535     | Ser. 02-5N, Class A, 8s, 2033                                                    | 314,879   |
|     | 135,226     | Ser. 03-4N, Class A, 8s, 2033                                                    | 136,240   |
|     | 340,751     | Ser. 03-7N, Class A, 5 1/4s, 2034                                                | 340,751   |
|     | 188,432     | Ser. 04-1N, Class A, 5s, 2034                                                    | 187,961   |
|     | 1,755,000   | LNR CDO, Ltd. FRB Ser. 02-1A, Class FFL, 4.2s, 2037 (Cayman Islands)             | 1,685,502 |
|     | 1,070,000   | LNR CDO, Ltd. 144A FRB Ser. 03-1A, Class EFL, 4.433s, 2036 (Cayman Islands)      | 1,126,817 |
|     |             | Long Beach Asset Holdings Corp. 144A                                             |           |
|     | 433,870     | Ser. 04-2, Class N1, 4.94s, 2034                                                 | 433,870   |
|     | 201,387     | Ser. 03-2, Class N1, 7.627s, 2033                                                | 201,387   |
|     | 131,516     | Long Beach Asset Holdings Corp. NIM Trust 144A Ser. 03-4, Class N1, 6.535s, 2033 | 131,680   |
|     | 2,800,000   | Long Beach Mortgage Loan Trust Ser. 04-3, Class S1, IO, 4 1/2s, 2006             | 196,980   |
| GBP | 1,200,000   | Lothian Mortgages PLC 144A Ser. 3A, Class D, 5.458s, 2039 (United Kingdom)       | 2,181,840 |
|     | \$1,457,253 | Madison Avenue Manufactured Housing Contract FRB Ser. 02-A, Class B1, 4.7s, 2032 | 801,489   |
|     | 490,000     | MBNA Credit Card Master Note Trust FRN Ser. 03-C5, Class C5, 2.56s, 2010         | 499,953   |
|     | 194,554     | Merrill Lynch Mortgage Investors, Inc. Ser. 03-WM3N, Class N1, 8s,               |           |

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|           |                                                                                        |           |
|-----------|----------------------------------------------------------------------------------------|-----------|
|           | 2005                                                                                   | 196,257   |
| 252,149   | Mid-State Trust Ser. 11, Class B,<br>8.221s, 2038                                      | 249,903   |
|           | Morgan Stanley ABS Capital I 144A                                                      |           |
| 92,423    | Ser. 03-NC9N, Class NOTE, 7.6s, 2033                                                   | 92,827    |
| 117,297   | Ser. 04-NC2N, Class NOTE, 6 1/4s,<br>2033                                              | 117,553   |
|           | Morgan Stanley Dean Witter Capital I                                                   |           |
| 545,000   | FRN Ser. 01-NC3, Class B1, 3.9s,<br>2031                                               | 539,136   |
| 499,000   | FRN Ser. 01-NC4, Class B1, 3.95s,<br>2032                                              | 491,282   |
| 196,925   | New Century Mortgage Corp. NIM Trust<br>144A Ser. 03-B, Class NOTE, 6 1/2s,<br>2033    | 198,094   |
| 304,064   | Novastar NIM Trust 144A Ser. 04-N1,<br>Class NOTE, 4.458s, 2034                        | 304,064   |
|           | Oakwood Mortgage Investors, Inc.                                                       |           |
| 2,111,934 | Ser. 01-C, Class A2, 5.92s, 2017                                                       | 1,357,762 |
| 2,897,455 | Ser. 02-C, Class A1, 5.41s, 2032                                                       | 2,557,004 |
| 1,098,362 | Ser. 99-B, Class A4, 6.99s, 2026                                                       | 986,604   |
|           | Option One Mortgage Securities Corp.<br>NIM Trust 144A                                 |           |
| 114,311   | Ser. 03-5, Class NOTE, 6.9s, 2033                                                      | 114,883   |
| 71,538    | Ser. 03-2B, Class N1, 7.63s, 2033<br>(Cayman Islands)                                  | 71,538    |
| 578,892   | Pass-Through Amortizing Credit Card<br>Trust Ser. 02-1A, Class A4FL, 6.91s,<br>2012    | 580,529   |
|           | Permanent Financing PLC FRB                                                            |           |
| 380,000   | Ser. 1, Class 3C, 2.61s, 2042<br>(United Kingdom)                                      | 384,216   |
| 490,000   | Ser. 3, Class 3C, 2.56s, 2042<br>(United Kingdom)                                      | 498,422   |
| 1,848,000 | Providian Gateway Master Trust Ser.<br>02, Class B, zero %, 2006                       | 1,552,181 |
| 4,003,279 | Residential Asset Mortgage Products,<br>Inc. Ser. 03-RZ1, Class A,<br>IO, 5 3/4s, 2005 | 161,382   |
| 413,647   | Rural Housing Trust Ser. 87-1, Class<br>D, 6.33s, 2026                                 | 427,995   |
| 101,462   | SAIL Net Interest Margin Notes Ser.<br>03-4, Class A, 7 1/2s, 2033 (Cayman<br>Islands) | 101,350   |
|           | SAIL Net Interest Margin Notes 144A                                                    |           |
| 594,349   | Ser. 03-10A, Class A, 7 1/2s, 2033<br>(Cayman Islands)                                 | 594,317   |
| 247,112   | Ser. 03-12A, Class A, 7.35s, 2033<br>(Cayman Islands)                                  | 247,038   |
| 150,509   | Ser. 03-6A, Class A, 7s, 2033<br>(Cayman Islands)                                      | 149,390   |
| 317,515   | Ser. 03-7A, Class A, 7s, 2033<br>(Cayman Islands)                                      | 315,159   |
| 87,215    | Ser. 03-8A, Class A, 7s, 2033<br>(Cayman Islands)                                      | 86,776    |
| 231,165   | Ser. 03-9A, Class A, 7s, 2033<br>(Cayman Islands)                                      | 229,963   |
| 417,270   | Ser. 03-BC2A, Class A, 7 3/4s, 2033                                                    | 416,057   |
| 596,519   | Ser. 04-2A, Class A, 5 1/2s, 2034<br>(Cayman Islands)                                  | 596,519   |
| 1,136,159 | Ser. 04-4A, Class A, 5s, 2034<br>(Cayman Islands)                                      | 1,134,455 |



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|            |                                                                                     |              |
|------------|-------------------------------------------------------------------------------------|--------------|
| 42,898     | Sasco Arc Net Interest Margin Notes<br>Ser. 02-BC10, Class A, 7 3/4s, 2033          | 42,508       |
|            | Sasco Arc Net Interest Margin Notes<br>144A                                         |              |
| 244,880    | Ser. 03-3, Class A, 7 3/4s, 2033                                                    | 243,651      |
| 507,188    | Ser. 03-5, Class A, 7.35s, 2033<br>(Cayman Islands)                                 | 507,040      |
| 367,911    | Ser. 03-AM1, Class A, 7 3/4s, 2033                                                  | 366,118      |
| 381,740    | Sasco Arc Net Interest Margin Trust<br>144A Ser. 03-BC1, Class B, zero %, 2033      | 273,362      |
| 226,947    | Saxon Net Interest Margin Trust 144A<br>Ser. 03-A, Class A, 6.656s, 2033            | 226,947      |
| 291,196    | Sharp SP I, LLC Net Interest Margin<br>Trust Ser. 03-NC1N, Class N, 7 1/4s, 2033    | 292,826      |
|            | Sharp SP I, LLC Net Interest Margin<br>Trust 144A                                   |              |
| 152,403    | Ser. 03-0P1N, Class NA, 4.45s, 2033                                                 | 152,387      |
| 159,868    | Ser. 03-HS1N, Class N, 7.48s, 2033                                                  | 160,268      |
| 75,774     | Ser. 03-TC1N, Class N, 7.45s, 2033                                                  | 75,774       |
| 72,633     | Ser. 04-HS1N, Class NOTE, 5.92s, 2034                                               | 72,633       |
| 200,000    | South Coast Funding FRB Ser. 3A,<br>Class A2, 2.38s, 2038                           | 202,500      |
|            | Structured Asset Investment Loan<br>Trust                                           |              |
| 389,075    | Ser. 03-BC1A, Class A, 7 3/4s, 2033                                                 | 387,184      |
| 9,912,019  | Ser. 03-BC2, Class A, IO, 6s, 2005                                                  | 258,221      |
| 3,360,837  | Ser. 03-BC8, Class A, IO, 6s, 2005                                                  | 133,076      |
| 20,615,000 | Ser. 04-1, Class A, IO, 6s, 2005                                                    | 1,099,763    |
| 544,000    | TIAA Commercial Real Estate<br>Securitization Ser. 02-1A, Class<br>IV, 6.84s, 2037  | 422,553      |
| 650,000    | TIAA Commercial Real Estate<br>Securitization 144A Ser. 03-1A,<br>Class E, 8s, 2038 | 583,146      |
| 4,068,400  | Washington Mutual Ser. 03-S1, Class<br>All, IO, 5 1/2s, 2033                        | 301,316      |
| 1,180,243  | Whole Auto Loan Trust 144A Ser.<br>03-1, Class D, 6s, 2010                          | 1,180,981    |
|            | Total Asset-backed securities<br>(cost \$67,969,803)                                | \$64,503,716 |

Collateralized mortgage obligations (5.4%) (a)  
Principal amount

Value

|           |                                                                                                    |           |
|-----------|----------------------------------------------------------------------------------------------------|-----------|
| \$490,000 | Bear Stearns Commercial Mortgage<br>Securitization Corp. 144A Ser.<br>04-ESA, Class K, 3.88s, 2016 | \$490,000 |
| 6,084,854 | Commercial Mortgage Acceptance Corp.<br>Ser. 97-ML1, IO, 0.84s, 2017                               | 135,958   |
| 402,000   | Commercial Mortgage Pass-Through<br>Certificates 144A FRB Ser. 01-FL4A,<br>Class E, 2.68s, 2013    | 357,780   |
| 1,858,000 | Criimi Mae Commercial Mortgage Trust<br>Ser. 98-C1, Class A2, 7s, 2011                             | 1,982,254 |
| 2,814,000 | Criimi Mae Commercial Mortgage Trust<br>144A Ser. 98-C1, Class B, 7s, 2033                         | 2,917,881 |
| 501,000   | CS First Boston Mortgage Securities<br>Corp. 144A FRB Ser. 03-TF2A, Class                          |           |

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|            |                                                                                 |           |
|------------|---------------------------------------------------------------------------------|-----------|
|            | L, 5.38s, 2014                                                                  | 497,471   |
| 55,274,206 | Deutsche Mortgage & Asset Receiving Corp. Ser. 98-C1, Class X, IO, 1.104s, 2023 | 1,500,093 |
|            | DLJ Commercial Mortgage Corp. Ser. 98-CF2, Class B4, 6.04s, 2031                | 326,015   |
| 1,281,541  | Ser. 98-CF2, Class B5, 5.95s, 2031 Fannie Mae                                   | 786,195   |
| 816,744    | Ser. 02-36, Class SJ, 16 1/2s, 2029                                             | 895,053   |
| 3,119,157  | Ser. 329, Class 2, IO, 5.5s, 2033                                               | 780,765   |
| 712,461    | Ser. 03-W3, Class 1A3, 7 1/2s, 2042                                             | 768,380   |
| 13,870     | Ser. 03-W2, Class 1A3, 7 1/2s, 2042                                             | 14,959    |
| 1,554      | Ser. 02-W1, Class 2A, 7 1/2s, 2042                                              | 1,676     |
| 5,972      | Ser. 02-14, Class A2, 7 1/2s, 2042                                              | 6,441     |
| 851,806    | Ser. 01-T10, Class A2, 7 1/2s, 2041                                             | 918,662   |
| 3,839      | Ser. 02-T4, Class A3, 7 1/2s, 2041                                              | 4,140     |
| 9,567      | Ser. 01-T8, Class A1, 7 1/2s, 2041                                              | 10,318    |
| 3,304,268  | Ser. 01-T7, Class A1, 7 1/2s, 2041                                              | 3,563,612 |
| 499,183    | Ser. 01-T3, Class A1, 7 1/2s, 2040                                              | 538,363   |
| 1,487,683  | Ser. 01-T1, Class A1, 7 1/2s, 2040                                              | 1,604,448 |
| 607,881    | Ser. 99-T2, Class A1, 7 1/2s, 2039                                              | 655,592   |
| 314,313    | Ser. 00-T6, Class A1, 7 1/2s, 2030                                              | 338,982   |
| 1,473,190  | Ser. 01-T4, Class A1, 7 1/2s, 2028                                              | 1,588,817 |
| 3,071      | Ser. 02-W3, Class A5, 7 1/2s, 2028                                              | 3,312     |
| 6,878,864  | Ser. 338, Class 2, IO, 5.5s, 2033                                               | 1,792,804 |
| 2,663,700  | Ser. 03-24, Class IC, IO, 5s, 2015                                              | 517,249   |
| 4,382,360  | Ser. 03-34, Class SG, IO, 5.55s, 2033                                           | 392,358   |
| 532,189    | Ser. 01-74, Class MI, IO, 6s, 2015                                              | 39,899    |
| 5,052,618  | Ser. 03-49, Class TS, IO, 6 1/4s, 2018                                          | 605,525   |
| 1,721,632  | Ser. 03-26, Class IG, IO, 6s, 2033                                              | 323,075   |
| 1,769,611  | Ser. 02-36, Class QH, IO, 6.6s, 2029                                            | 110,949   |
| 23,630,034 | Ser. 02-T18, IO, 0.519s, 2042                                                   | 341,641   |
| 1,741,291  | Ser. 345, Class 1, IO, 5s, 2033                                                 | 477,767   |
| 7,691,395  | Ser. 345, Class 3, IO, 5s, 2033                                                 | 2,076,677 |
| 13,114,305 | Ser. 03-34, Class SP, IO, 5.65s, 2032                                           | 1,124,961 |
| 640,000    | Ser. 03-6, Class IB, IO, 5 1/2s, 2022                                           | 41,990    |
| 1,232      | Ser. 92-15, Class L, IO, 10.38s, 2022                                           | 15,136    |
| 4,413,638  | Ser. 03-41, Class SP, IO, 5 3/4s, 2015                                          | 294,473   |
| 1,537,421  | Ser. 318, Class 2, IO, 6s, 2032                                                 | 357,030   |
| 2,136,717  | Ser. 03-118, Class SF, IO, 6.65s, 2033                                          | 312,849   |
| 8,135,205  | Ser. 03-W17, Class 12, IO, 1.162s, 2033                                         | 270,380   |
| 1,915,048  | Ser. 03-118, Class S, IO, 6.65s, 2033                                           | 277,682   |
| 3,122,429  | Ser. 03-45, Class PI, IO, 5.5s, 2029                                            | 368,025   |
| 4,146,072  | Ser. 03-37, Class IC, IO, 5.5s, 2027                                            | 447,001   |
| 200,829    | Ser. 98-51, Class SG, IO, 23.72s, 2022                                          | 90,100    |
| 1,206,657  | Ser. 322, Class 2, IO, 6s, 2032                                                 | 279,417   |
| 14,845,384 | Ser. 03-W10, Class 3A, IO, 1.913s, 2043                                         | 491,753   |
| 13,315,531 | Ser. 00-T6, IO, 0.74s, 2030                                                     | 239,263   |
| 12,485,363 | Ser. 03-W10, Class 1A, IO, 1.922s, 2043                                         | 401,873   |
| 168,328    | Ser. 03-7, Class SM, IO, 6.3s, 2023                                             | 973       |

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|     |            |                                                                                  |           |
|-----|------------|----------------------------------------------------------------------------------|-----------|
|     | 6,402,748  | Ser. 03-23, Class AI, IO, 5s, 2017                                               | 809,216   |
|     | 391,480    | Ser. 03-23, Class SC, IO, 6.1s, 2033                                             | 5,872     |
|     | 1,528,271  | Ser. 03-58, Class ID, IO, 6s, 2033                                               | 350,308   |
|     | 2,014,030  | Ser. 03-14, Class KS, IO, 6.15s, 2017                                            | 150,108   |
|     | 10,745,022 | Ser. 03-34, Class ES, IO, 5.55s, 2033                                            | 956,978   |
|     | 254,384    | Ser. 99-51, Class N, PO, zero %, 2029                                            | 213,166   |
|     | 133,908    | Ser. 99-52, Class MO, PO, zero %, 2026                                           | 128,960   |
|     |            | Federal Home Loan Mortgage Corp. Structured Pass-Through Securities              |           |
|     | 18,484     | Ser. T-58, Class 4A, 7 1/2s, 2043                                                | 19,935    |
|     | 7,725,698  | Ser. T-57, Class 1AX, IO, 0.439s, 2043                                           | 83,896    |
|     | 19,819,760 | FFCA Secured Lending Corp. Ser. 00-1, Class X, IO, 1.603s, 2020                  | 1,266,515 |
|     | 589,733    | First Chicago Lennar Trust 144A Ser. 97-CHL1, Class E, 7.922s, 2039              | 550,848   |
|     |            | Freddie Mac                                                                      |           |
|     | 776,442    | Ser. 2763, Class SC, 23.08s, 2032                                                | 925,877   |
|     | 3,003,531  | Ser. 2448, Class SM, IO, 6.4s, 2032                                              | 315,371   |
|     | 3,296,003  | Ser. 2579, Class GS, IO, 6.05s, 2017                                             | 306,224   |
|     | 1,033,400  | Ser. 2590, Class IH, IO, 5 1/2s, 2028                                            | 266,101   |
|     | 4,756,941  | Ser. 216, Class IO, IO, 6s, 2032                                                 | 1,080,903 |
|     | 2,619,000  | Ser. 2596, Class IQ, IO, 5 1/2s, 2026                                            | 277,197   |
|     | 2,008,400  | Ser. 2515, Class IG, IO, 5 1/2s, 2032                                            | 662,584   |
|     | 352,770    | Ser. 2478, Class SY, IO, 6.55s, 2021                                             | 19,805    |
|     | 561,982    | Ser. 215, Class PO, Principal Only (PO), zero %, 2031                            | 502,316   |
|     | 515,000    | Ser. 2235, PO, zero %, 2030                                                      | 415,299   |
|     | 5          | Ser. 2078, Class KC, PO, zero %, 2023                                            | 5         |
|     | 739,550    | GMAC Commercial Mortgage Securities, Inc. 144A Ser. 99-C3, Class G, 6.974s, 2036 | 544,185   |
|     |            | Government National Mortgage Association                                         |           |
|     | 244,234    | Ser. 02-51, Class SA, IO, 6.68s, 2032                                            | 2,858     |
|     | 6,327,802  | Ser. 03-83, Class SI, IO, 4.9s, 2032                                             | 435,036   |
|     | 945,932    | Ser. 02-63, Class ST, IO, 4.03s, 2024                                            | 9,641     |
|     | 2,297,323  | Ser. 02-47, Class SM, IO, 4.55s, 2032                                            | 117,379   |
|     | 3,001,517  | Ser. 01-19, Class S, IO, 5.9s, 2031                                              | 281,392   |
|     | 953,445    | Ser. 01-43, Class SJ, IO, 6.18s, 2029                                            | 23,687    |
|     | 252,907    | Ser. 98-2, Class EA, PO, zero %, 2028                                            | 209,439   |
|     | 300,000    | GS Mortgage Securities Corp. II 144A FRB Ser. 03-FL6A, Class L, 4.63s, 2015      | 300,375   |
| GBP | 1,837,845  | Hermione (European Loan Conduit No. 14) 144A FRB Class A, 5.33s, 2011 (Ireland)  | 3,361,620 |
|     | \$355,850  | LB Commercial Conduit Mortgage Trust 144A Ser. 99-C1, Class G, 6.41s, 2031       | 273,570   |

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|                                                               |                                                                               |              |
|---------------------------------------------------------------|-------------------------------------------------------------------------------|--------------|
| Mach One Commercial Mortgage Trust                            |                                                                               |              |
| 144A                                                          |                                                                               |              |
| 594,000                                                       | Ser. 04-1A, Class J, 5.45s, 2040                                              | 476,291      |
| 297,000                                                       | Ser. 04-1A, Class K, 5.45s, 2040                                              | 239,955      |
| 135,000                                                       | Ser. 04-1A, Class L, 5.45s, 2040                                              | 95,644       |
| 9,514,193                                                     | Merrill Lynch Mortgage Investors, Inc. Ser. 96-C2, Class JS, IO, 3.459s, 2028 | 549,654      |
| 1,440,985                                                     | Mezz Cap Commercial Mortgage Trust 144A Ser. 04-C1, Class X, IO, 7.85s, 2037  | 667,581      |
| 2,430,000                                                     | Morgan Stanley Capital I 144A Ser. 04-RR, Class F7, 6s, 2039                  | 1,722,008    |
| 7,700,770                                                     | Mortgage Capital Funding, Inc. Ser. 97-MC2, Class X, IO, 1.282s, 2012         | 227,918      |
| 459,501                                                       | Mortgage Capital Funding, Inc. FRB Ser. 98-MC2, Class E, 7.139s, 2030         | 496,852      |
| Starwood Asset Receivables Trust                              |                                                                               |              |
| 144A                                                          |                                                                               |              |
| 245,003                                                       | FRB Ser. 03-1A, Class F, 2.55s, 2022                                          | 245,395      |
| 308,522                                                       | FRB Ser. 03-1A, Class E, 2 1/2s, 2022                                         | 309,016      |
| STRIPS 144A                                                   |                                                                               |              |
| 229,000                                                       | Ser. 03-1A, Class M, 5s, 2018 (Cayman Islands)                                | 187,872      |
| 272,000                                                       | Ser. 03-1A, Class N, 5s, 2018                                                 | 200,709      |
| 245,000                                                       | Ser. 04-1A, Class M, 5s, 2018                                                 | 201,782      |
| 235,000                                                       | Ser. 04-1A, Class N, 5s, 2018                                                 | 174,605      |
| 271,000                                                       | Trizechahn Office Properties Trust 144A Ser. 01-TZHA, Class D3, 6.943s, 2013  | 287,767      |
| -----                                                         |                                                                               |              |
| Total Collateralized mortgage obligations (cost \$57,350,223) |                                                                               | \$53,327,732 |

## Common stocks (0.7%) (a)

| Number of shares | Value                                                                          |
|------------------|--------------------------------------------------------------------------------|
| -----            |                                                                                |
| 2,767            | AboveNet, Inc. (NON) \$85,749                                                  |
| 3,074            | Alderwoods Group, Inc. (NON) 27,312                                            |
| 1,005,000        | AMRESO Creditor Trust (acquired 6/17/99, cost \$174,438) (RES) (NON) (R) 1,005 |
| 19               | Arch Wireless, Inc. Class A (NON) 536                                          |
| 2,452            | Archibald Candy Corp. (NON) 123                                                |
| 1,522            | Birch Telecom, Inc. (NON) 15                                                   |
| 643              | Comdisco Holding Co., Inc. (S) 15,464                                          |
| 3,390,037        | Contifinancial Corp. Liquidating Trust Units 67,801                            |
| 21,241           | Covad Communications Group, Inc. (NON) (S) 40,358                              |
| 2,407            | Crown Castle International Corp. (NON) (S) 33,987                              |
| 1,529            | Genesis HealthCare Corp. (NON) (S) 41,054                                      |
| 64,253           | Globix Corp. (NON) (S) 205,610                                                 |
| 21,372           | iPCS, Inc. (NON) 461,251                                                       |
| 750,000          | iPCS Escrow, Inc. (NON) 750                                                    |
| 282              | Knology, Inc. (NON) 1,230                                                      |
| 147              | Leucadia National Corp. (S) 7,569                                              |
| 9,031            | Lodgian, Inc. (NON) 88,504                                                     |
| 160,000          | Loewen Group International, Inc. (NON) 16                                      |

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|                                            |                                                                                      |             |
|--------------------------------------------|--------------------------------------------------------------------------------------|-------------|
| 1,112                                      | Polymer Group, Inc. Class A (NON)                                                    | 14,678      |
| 2,502                                      | PSF Group Holdings, Inc. 144A Class A (NON)                                          | 3,753,720   |
| 74,020                                     | Regal Entertainment Group (acquired 5/9/02, cost \$74,020) (RES)                     | 1,393,797   |
| 368                                        | Sterling Chemicals, Inc. (NON)                                                       | 8,832       |
| 1,195                                      | Sun Healthcare Group, Inc. (NON)                                                     | 8,257       |
| 1,292,251                                  | VFB LLC (acquired various dates from 1/20/00 to 12/8/03, cost \$955,585) (RES) (NON) | 245,528     |
| 6,378                                      | Washington Group International, Inc. (NON)                                           | 213,153     |
| Total Common stocks<br>(cost \$18,814,084) |                                                                                      | \$6,716,299 |

| Preferred stocks (0.5%) (a)                  |                                                        | Value       |
|----------------------------------------------|--------------------------------------------------------|-------------|
| Number of shares                             |                                                        |             |
| 41,533                                       | Avecia Group PLC \$4.00 pfd. (United Kingdom) (PIK)    | \$539,929   |
| 15,119                                       | Doane Pet Care Co. \$7.125 pfd.                        | 634,998     |
| 38                                           | Dobson Communications Corp. 13.00% pfd. (PIK)          | 24,738      |
| 540                                          | First Republic Capital Corp. 144A 10.50% pfd.          | 558,900     |
| 17,777                                       | iStar Financial, Inc. \$1.95 cum. pfd.                 | 444,425     |
| 132                                          | Paxson Communications Corp. 13.25% cum. pfd. (PIK) (S) | 1,151,700   |
| 277                                          | Rural Cellular Corp. Ser. B, 11.375% cum. pfd.         | 232,680     |
| 1,901                                        | Rural Cellular Corp. 12.25% pfd. (PIK)                 | 1,197,630   |
| Total Preferred stocks<br>(cost \$5,399,667) |                                                        | \$4,785,000 |

| Brady bonds (0.4%) (a)               |                                                                       | Value       |
|--------------------------------------|-----------------------------------------------------------------------|-------------|
| Principal amount                     |                                                                       |             |
| \$1,181,181                          | Brazil (Federal Republic of) FRB 2 1/8s, 2012                         | \$1,026,210 |
| 1,515,300                            | Brazil (Federal Republic of) govt. guaranty FRB Ser. RG, 2 1/8s, 2012 | 1,316,492   |
| 985,000                              | Peru (Republic of) coll. FLIRB Ser. 20YR, 4 1/2s, 2017                | 815,088     |
| 882,700                              | Peru (Republic of) FRB Ser. PDI, 5s, 2017                             | 767,949     |
| Total Brady bonds (cost \$3,273,044) |                                                                       | \$3,925,739 |

| Convertible preferred stocks (0.2%) (a) |                                                       | Value     |
|-----------------------------------------|-------------------------------------------------------|-----------|
| Number of shares                        |                                                       |           |
| 12,672                                  | Crown Castle International Corp. \$3.125 cv. pfd.     | \$574,992 |
| 7,495                                   | Omnicare, Inc. \$2.00 cv. pfd.                        | 359,760   |
| 89                                      | Paxson Communications Corp. 144A 9.75% cv. pfd. (PIK) | 631,900   |
| 9,530                                   | Williams Cos., Inc. (The) 144A \$2.75 cv. pfd.        | 681,395   |

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|                                                             |                                                                                                                                                                  |                      |
|-------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Total Convertible preferred stocks                          |                                                                                                                                                                  | -----                |
| (cost \$2,107,187)                                          |                                                                                                                                                                  | \$2,248,047          |
| Convertible bonds and notes (0.1%) (a)                      |                                                                                                                                                                  |                      |
| Principal amount                                            |                                                                                                                                                                  | Value                |
| -----                                                       |                                                                                                                                                                  |                      |
| \$155,000                                                   | AES Corp. (The) cv. sub. notes<br>4 1/2s, 2005                                                                                                                   | \$153,450            |
| 725,000                                                     | Amkor Technologies, Inc. cv. notes<br>5 3/4s, 2006                                                                                                               | 664,281              |
| 3,080,000                                                   | Cybernet Internet Services<br>International, Inc. 144A cv. sr.<br>disc. notes stepped-coupon zero %<br>(13s, 8/15/04) 2009 (Denmark) (In<br>default) (NON) (STP) | 31                   |
| 380,000                                                     | WCI Communities, Inc. cv. sr. sub.<br>notes 4s, 2023                                                                                                             | 408,975              |
| Total Convertible bonds and notes<br>(cost \$3,803,181)     |                                                                                                                                                                  | -----<br>\$1,226,737 |
| Units (--) (a)                                              |                                                                                                                                                                  |                      |
| Number of units                                             | Value                                                                                                                                                            |                      |
| -----                                                       |                                                                                                                                                                  |                      |
| 1,250,000                                                   | Morrison Knudsen Corp., 2032                                                                                                                                     | \$65,625             |
| 951                                                         | XCL Equity Units                                                                                                                                                 | 422,079              |
| Total Units (cost \$2,515,898)                              |                                                                                                                                                                  | -----<br>\$487,704   |
| Warrants (--) (a) (NON)                                     |                                                                                                                                                                  |                      |
| Number of warrants                                          | Expiration<br>date                                                                                                                                               | Value                |
| -----                                                       |                                                                                                                                                                  |                      |
| 1,001                                                       | AboveNet, Inc.                                                                                                                                                   | \$5,005              |
| 1,178                                                       | AboveNet, Inc.                                                                                                                                                   | 1,178                |
| 1,420                                                       | Dayton Superior Corp. 144A                                                                                                                                       | 1                    |
| 4                                                           | Doe Run Resources Corp. 144A                                                                                                                                     | 1                    |
| 1,654                                                       | Huntsman Co., LLC 144A                                                                                                                                           | 314,260              |
| 694                                                         | MDP Acquisitions PLC 144A (Ireland)                                                                                                                              | 19,259               |
| 550                                                         | Mikohn Gaming Corp. 144A                                                                                                                                         | 165                  |
| 560                                                         | ONO Finance PLC 144A (United<br>Kingdom)                                                                                                                         | 6                    |
| 570                                                         | Pliant Corp. 144A                                                                                                                                                | 6                    |
| 682                                                         | Solutia, Inc. 144A                                                                                                                                               | 7                    |
| 690                                                         | Travel Centers of America, Inc. 144A                                                                                                                             | 3,450                |
| 2,310                                                       | Ubiquitel, Inc. 144A                                                                                                                                             | 1                    |
| 3,937                                                       | Washington Group International, Inc.<br>Ser. A                                                                                                                   | 28,543               |
| 4,500                                                       | Washington Group International, Inc.<br>Ser. B                                                                                                                   | 25,650               |
| 2,432                                                       | Washington Group International, Inc.<br>Ser. C                                                                                                                   | 11,430               |
| 800                                                         | XM Satellite Radio Holdings, Inc.<br>144A                                                                                                                        | 42,800               |
| Total Warrants (cost \$1,029,372)                           |                                                                                                                                                                  | -----<br>\$451,762   |
| U.S. government and agency mortgage obligations (12.4%) (a) |                                                                                                                                                                  |                      |
| Principal amount                                            |                                                                                                                                                                  | Value                |
| -----                                                       |                                                                                                                                                                  |                      |
| \$19,116                                                    | Federal Home Loan Mortgage<br>Corporation 7 1/2s, March 1, 2026                                                                                                  | \$20,637             |

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|                                                                            |                                                                                                                                                                          |                 |
|----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Federal National Mortgage Association Pass-Through Certificates            |                                                                                                                                                                          |                 |
| 149,784                                                                    | 7 1/2s, with due dates from October 1, 2022 to January 1, 2030                                                                                                           | 160,989         |
| 18,995,667                                                                 | 6 1/2s, with due dates from April 1, 2024 to November 1, 2033                                                                                                            | 19,873,362      |
| 47,100,000                                                                 | 6 1/2s, TBA, August 15, 2034                                                                                                                                             | 49,149,585      |
| 212,176                                                                    | 5s, June 1, 2019                                                                                                                                                         | 214,049         |
| 49,000,000                                                                 | 5s, TBA, August 15, 2019                                                                                                                                                 | 49,340,702      |
| 5,047,024                                                                  | 4 1/2s, with due dates from August 1, 2033 to June 1, 2034                                                                                                               | 4,771,655       |
|                                                                            |                                                                                                                                                                          | -----           |
| Total U.S. government and agency mortgage obligations (cost \$123,173,947) |                                                                                                                                                                          | \$123,530,979   |
| U.S. Treasury obligations (13.8%) (a)                                      |                                                                                                                                                                          |                 |
| Principal amount                                                           |                                                                                                                                                                          | Value           |
| -----                                                                      |                                                                                                                                                                          |                 |
| U.S. Treasury Bonds                                                        |                                                                                                                                                                          |                 |
| \$21,600,000                                                               | 7 1/2s, November 15, 2016                                                                                                                                                | \$26,929,126    |
| 33,514,000                                                                 | 6 1/4s, May 15, 2030                                                                                                                                                     | 38,048,863      |
| 12,260,000                                                                 | 6 1/4s, August 15, 2023                                                                                                                                                  | 13,752,272      |
| 22,594,000                                                                 | 4 1/4s, August 15, 2013                                                                                                                                                  | 22,293,925      |
| U.S. Treasury Notes                                                        |                                                                                                                                                                          |                 |
| 23,410,000                                                                 | 3 1/4s, August 15, 2008                                                                                                                                                  | 23,238,082      |
| 6,273,000                                                                  | 1 1/8s, June 30, 2005                                                                                                                                                    | 6,223,012       |
| 20,460,000                                                                 | U.S. Treasury Strip zero %, November 15, 2024                                                                                                                            | 6,686,146       |
|                                                                            |                                                                                                                                                                          | -----           |
| Total U.S. Treasury obligations (cost \$137,236,894)                       |                                                                                                                                                                          | \$137,171,426   |
| Short-term investments (17.6%) (a)                                         |                                                                                                                                                                          |                 |
| Principal amount                                                           |                                                                                                                                                                          | Value           |
| -----                                                                      |                                                                                                                                                                          |                 |
| \$171,516,53                                                               | Putnam Prime Money Market Fund (e)                                                                                                                                       | \$171,516,532   |
| 1,317,039                                                                  | Short-term investments held as collateral for loaned securities with yields ranging from 1.28% to 1.52% and due dates ranging from August 2, 2004 to August 23, 2004 (d) | 1,316,566       |
| 1,900,000                                                                  | U.S. Treasury Bill zero %, August 5, 2004 (SEG)                                                                                                                          | 1,899,766       |
|                                                                            |                                                                                                                                                                          | -----           |
| Total Short-term investments (cost \$174,732,864)                          |                                                                                                                                                                          | \$174,732,864   |
| -----                                                                      |                                                                                                                                                                          |                 |
| Total Investments (cost \$1,131,406,928)                                   |                                                                                                                                                                          | \$1,120,578,809 |
| -----                                                                      |                                                                                                                                                                          |                 |

(a) Percentages indicated are based on net assets of \$992,675,806.

(DEF) Security is in default of principal and interest.

(NON) Non-income-producing security.

(STP) The interest rate and date shown parenthetically represent the new

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interest rate to be paid and the date the fund will begin accruing interest income at this rate.

(RES) Restricted, excluding 144A securities, as to public resale. The total market value of restricted securities held at July 31, 2004 was \$20,966,002 or 2.1% of net assets.

(PIK) Income may be received in cash or additional securities at the discretion of the issuer.

(SEG) This security was pledged and segregated with the custodian to cover margin requirements for futures contracts at July 31, 2004.

(R) Real Estate Investment Trust.

(S) Securities on loan, in part or in entirety, at July 31, 2004.

(d) See Note 1 to the financial statements.

(e) See Note 4 to the financial statements regarding investments in the Putnam Prime Money Market Fund.

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.

TBA after the name of a security represents to be announced securities (Note 1).

FLIRB represents Front Loaded Interest Reduction Bond.

The rates shown on Floating Rate Bonds (FRB) and Floating Rate Notes (FRN) are the current interest rates at July 31, 2004.

Forward currency contracts to buy at July 31, 2004  
(aggregate face value \$55,156,865)

|                   | Value        | Aggregate<br>face value | Delivery<br>date | Unreal<br>apprecia<br>(deprecia |
|-------------------|--------------|-------------------------|------------------|---------------------------------|
| Australian Dollar | \$10,703,542 | \$10,767,426            | 9/15/04          | \$ (63                          |
| British Pound     | 4,934,461    | 4,954,404               | 9/15/04          | (19                             |
| Danish Krone      | 1,625,806    | 1,649,315               | 9/15/04          | (23                             |
| Euro              | 6,999,341    | 7,134,813               | 9/15/04          | (135                            |
| Japanese Yen      | 29,023,373   | 28,898,333              | 9/15/04          | 125                             |
| Norwegian Krone   | 467,789      | 490,647                 | 9/15/04          | (22                             |
| Polish Zloty      | 634,031      | 604,876                 | 9/15/04          | 29                              |
| Swiss Franc       | 642,067      | 657,051                 | 9/15/04          | (14                             |
|                   |              |                         |                  | \$ (126                         |



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Forward currency contracts to sell at July 31, 2004  
(aggregate face value \$104,172,131)

|                    | Value       | Aggregate<br>face value | Delivery<br>date | Unreal<br>apprecia<br>(deprecia |
|--------------------|-------------|-------------------------|------------------|---------------------------------|
| Australian Dollar  | \$5,414,359 | \$5,515,410             | 9/15/04          | \$101                           |
| British Pound      | 24,315,776  | 24,400,083              | 9/15/04          | 84                              |
| Canadian Dollar    | 1,320,801   | 1,288,907               | 9/15/04          | (31                             |
| Euro               | 49,069,847  | 49,332,699              | 9/15/04          | 262                             |
| Japanese Yen       | 1,212,436   | 1,245,830               | 9/15/04          | 33                              |
| New Zealand Dollar | 9,972,087   | 9,783,991               | 9/15/04          | (188                            |
| Swedish Kronor     | 12,238,784  | 12,605,211              | 9/15/04          | 366                             |
|                    |             |                         |                  | \$628                           |

Futures contracts outstanding at July 31, 2004

|                           | Value        | Aggregate<br>face value | Delivery<br>date | Unreal<br>apprecia<br>(deprecia |
|---------------------------|--------------|-------------------------|------------------|---------------------------------|
| Euro-Bobl 5 yr (Long)     | \$18,705,230 | \$18,532,054            | Sep-04           | \$173                           |
| Euro-Bund 10 yr (Long)    | 19,944,103   | 19,757,008              | Sep-04           | 187                             |
| Interest Rate Swap        |              |                         |                  |                                 |
| 10 yr (Long)              | 2,474,656    | 2,393,312               | Sep-04           | 81                              |
| Japanese Government Bond  |              |                         |                  |                                 |
| 10 yr-TSE (Long)          | 7,259,758    | 7,260,419               | Sep-04           |                                 |
| Japanese Government Bond  |              |                         |                  |                                 |
| 10 yr (Long)              | 8,951,709    | 8,971,230               | Sep-04           | (19                             |
| U.K. Gilt (Long)          | 29,660,669   | 29,586,470              | Sep-04           | 74                              |
| U.S. Treasury Bond (Long) | 19,046,500   | 18,376,437              | Sep-04           | 670                             |
| U.S. Treasury Note        |              |                         |                  |                                 |
| 10 yr (Long)              | 35,651,438   | 34,738,384              | Sep-04           | 913                             |
| U.S. Treasury Note        |              |                         |                  |                                 |
| 10 yr (Short)             | 25,908,188   | 25,760,108              | Sep-04           | (148                            |
| U.S. Treasury Note        |              |                         |                  |                                 |
| 5 yr (Short)              | 94,717,500   | 93,321,258              | Sep-04           | (1,396                          |
|                           |              |                         |                  | \$534                           |

Interest rate swap contracts outstanding at July 31, 2004

| Notional<br>amount | Termination<br>date | Unreal<br>apprecia<br>(deprecia |
|--------------------|---------------------|---------------------------------|
|--------------------|---------------------|---------------------------------|

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|                                                                                                                                                                                                                                     |              |          |       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|----------|-------|
| Agreement with Bank of America, N.A. dated March 25, 2004 to pay semi-annually the notional amount multiplied by 3.075% and receive quarterly the notional amount multiplied by the three month USD-LIBOR.                          | \$23,700,000 | 3/30/09  | \$800 |
| Agreement with Bank of America, N.A. dated January 22, 2004 to pay semi-annually the notional amount multiplied by 1.97375% and receive quarterly the notional amount multiplied by the three month USD-LIBOR.                      | 17,400,000   | 1/26/06  | 194   |
| Agreement with Bank of America, N.A. dated December 2, 2003 to pay semi-annually the notional amount multiplied by 2.444% and receive quarterly the notional amount multiplied by the three month USD LIBOR.                        | 8,912,000    | 12/4/05  | 5     |
| Agreement with Bank of America, N.A. dated January 22, 2004 to pay semi-annually the notional amount multiplied by 4.35% and receive quarterly the notional amount multiplied by the three month USD-LIBOR.                         | 5,500,000    | 1/27/14  | 232   |
| Agreement with Credit Suisse First Boston International dated July 7, 2004 to pay semi-annually the notional amount multiplied by 4.945% and receive quarterly the notional amount multiplied by the three month USD LIBOR.         | 8,099,800    | 7/9/14   | (15   |
| Agreement with Credit Suisse First Boston International dated July 7, 2004 to receive semi-annually the notional amount multiplied by 2.931% and pay quarterly the notional amount multiplied by the three month USD LIBOR.         | 7,174,500    | 7/9/06   | (6    |
| Agreement with Lehman Brothers Special Financing, Inc. dated January 22, 2004 to pay semi-annually the notional amount multiplied by 1.955% and receive quarterly the notional amount multiplied by the three month USD-LIBOR-BBA.  | 17,400,000   | 1/26/06  | 198   |
| Agreement with Lehman Brothers Special Financing, Inc. dated December 9, 2003 to receive semi-annually the notional amount multiplied by 4.641% and pay quarterly the notional amount multiplied by three month USD-LIBOR-BBA.      | 12,964,000   | 12/15/13 | (195  |
| Agreement with Lehman Brothers Special Financing, Inc. dated January 22, 2004 to pay semi-annually the notional amount multiplied by 4.3375% and receive quarterly the notional amount multiplied by the three month USD-LIBOR-BBA. | 5,500,000    | 1/26/14  | 240   |
| Agreement with Merrill Lynch Capital Services,                                                                                                                                                                                      |              |          |       |

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Inc. dated September 27, 2002 to receive semi-annually the notional amount multiplied by the six month JPY-LIBOR-BBA and pay semi-annually the notional amount multiplied by 0.399%.

JPY 3,417,000,000

10/1/07

129

Agreement with Merrill Lynch Capital Services, Inc. dated November 17, 2000 to pay semi-annually the notional amount multiplied by the three month USD-LIBOR-BBA and receive the notional amount multiplied 6.68%.

\$9,000,000

11/21/05

556

Agreement with UBS, AG dated April 23, 2004 to receive annually the notional amount multiplied by 3.49% and pay quarterly the notional amount multiplied by the three month SEK-STIBOR-.

SEK 555,000,000

4/27/06

79

\$2,219

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

### Statement of assets and liabilities July 31, 2004

#### Assets

Investment in securities, at value, including \$1,258,023 of securities on loan (Note 1):

|                                                      |               |
|------------------------------------------------------|---------------|
| Unaffiliated issuers (identified cost \$959,890,396) | \$949,062,277 |
|------------------------------------------------------|---------------|

|                                                             |             |
|-------------------------------------------------------------|-------------|
| Affiliated issuers (identified cost \$171,516,532) (Note 4) | 171,516,532 |
|-------------------------------------------------------------|-------------|

|      |           |
|------|-----------|
| Cash | 1,210,484 |
|------|-----------|

|                                              |           |
|----------------------------------------------|-----------|
| Foreign currency (cost \$1,379,720) (Note 1) | 1,359,982 |
|----------------------------------------------|-----------|

|                                           |            |
|-------------------------------------------|------------|
| Dividends, interest and other receivables | 15,168,695 |
|-------------------------------------------|------------|

|                                |           |
|--------------------------------|-----------|
| Receivable for securities sold | 4,647,295 |
|--------------------------------|-----------|

|                                             |           |
|---------------------------------------------|-----------|
| Receivable for open swap contracts (Note 1) | 2,437,135 |
|---------------------------------------------|-----------|

|                                          |         |
|------------------------------------------|---------|
| Receivable for variation margin (Note 1) | 291,153 |
|------------------------------------------|---------|

|                                                         |           |
|---------------------------------------------------------|-----------|
| Receivable for open forward currency contracts (Note 1) | 1,099,625 |
|---------------------------------------------------------|-----------|

|                                                           |         |
|-----------------------------------------------------------|---------|
| Receivable for closed forward currency contracts (Note 1) | 339,336 |
|-----------------------------------------------------------|---------|

|              |               |
|--------------|---------------|
| Total assets | 1,147,132,514 |
|--------------|---------------|

#### Liabilities

|                                       |           |
|---------------------------------------|-----------|
| Distributions payable to shareholders | 5,497,322 |
|---------------------------------------|-----------|

|                                  |             |
|----------------------------------|-------------|
| Payable for securities purchased | 144,495,751 |
|----------------------------------|-------------|

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|                                                                                             |                 |
|---------------------------------------------------------------------------------------------|-----------------|
| Payable for compensation of Manager (Note 2)                                                | 1,679,186       |
| Payable for investor servicing and custodian fees (Note 2)                                  | 169,042         |
| Payable for Trustee compensation and expenses (Note 2)                                      | 98,773          |
| Payable for administrative services (Note 2)                                                | 1,273           |
| Payable for open forward currency contracts (Note 1)                                        | 598,039         |
| Payable for closed forward currency contracts (Note 1)                                      | 311,459         |
| Payable for open swap contracts (Note 1)                                                    | 217,793         |
| Collateral on securities loaned, at value (Note 1)                                          | 1,316,566       |
| Other accrued expenses                                                                      | 71,504          |
| Total liabilities                                                                           | 154,456,708     |
| Net assets                                                                                  | \$992,675,806   |
| Represented by                                                                              |                 |
| Paid-in capital (Note 1)                                                                    | \$1,206,712,544 |
| Undistributed net investment income (Note 1)                                                | 15,779,069      |
| Accumulated net realized loss on investments and foreign currency transactions (Note 1)     | (222,203,704)   |
| Net unrealized depreciation of investments and assets and liabilities in foreign currencies | (7,612,103)     |
| Total -- Representing net assets applicable to capital shares outstanding                   | \$992,675,806   |
| Computation of net asset value                                                              |                 |
| Net asset value per share (\$992,675,806 divided by 141,198,870 shares)                     | \$7.03          |

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

Statement of operations  
Year ended July 31, 2004

Investment income:

|                                                                                                   |              |
|---------------------------------------------------------------------------------------------------|--------------|
| Interest (including interest income of \$304,266 from investments in affiliated issuers) (Note 4) | \$68,118,359 |
| Dividends                                                                                         | 1,576,800    |
| Securities lending                                                                                | 2,134        |
| Total investment income                                                                           | 69,697,293   |

Expenses:

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|                                                                                                                                                  |               |
|--------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Compensation of Manager (Note 2)                                                                                                                 | 6,944,320     |
| Investor servicing and custodian fees (Note 2)                                                                                                   | 884,612       |
| Trustee compensation and expenses (Note 2)                                                                                                       | 33,083        |
| Administrative services (Note 2)                                                                                                                 | 16,590        |
| Other                                                                                                                                            | 405,981       |
| Fees waived and reimbursed by Manager (Note 4)                                                                                                   | (44,468)      |
| Total expenses                                                                                                                                   | 8,240,118     |
| Expense reduction (Note 2)                                                                                                                       | (22,769)      |
| Net expenses                                                                                                                                     | 8,217,349     |
| Net investment income                                                                                                                            | 61,479,944    |
| Net realized gain on investments (Notes 1 and 3)                                                                                                 | 26,756,700    |
| Net realized loss on futures contracts (Note 1)                                                                                                  | (6,487,131)   |
| Net realized gain on credit default (Note 1)                                                                                                     | 74,035        |
| Net realized gain on swap contracts (Note 1)                                                                                                     | 2,018,132     |
| Net realized loss on foreign currency transactions (Note 1)                                                                                      | (454,538)     |
| Net unrealized depreciation of assets and liabilities in foreign currencies during the year                                                      | (429,315)     |
| Net unrealized appreciation of investments, futures contracts, swap contracts, TBA sale commitments and credit default contracts during the year | 23,067,710    |
| Net gain on investments                                                                                                                          | 44,545,593    |
| Net increase in net assets resulting from operations                                                                                             | \$106,025,537 |

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

## Statement of changes in net assets

|                                                                                             | Year ended July 31 |              |
|---------------------------------------------------------------------------------------------|--------------------|--------------|
|                                                                                             | 2004               | 2003         |
| Operations:                                                                                 |                    |              |
| Net investment income                                                                       | \$61,479,944       | \$72,453,759 |
| Net realized gain (loss) on investments and foreign currency transactions                   | 21,907,198         | (11,293,897) |
| Net unrealized appreciation of investments and assets and liabilities in foreign currencies | 22,638,395         | 85,392,998   |

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|                                                      |             |             |
|------------------------------------------------------|-------------|-------------|
| Net increase in net assets resulting from operations | 106,025,537 | 146,552,860 |
|------------------------------------------------------|-------------|-------------|

Distributions to shareholders: (Note 1)

|                            |              |              |
|----------------------------|--------------|--------------|
| From net investment income | (66,079,263) | (72,810,386) |
|----------------------------|--------------|--------------|

|                                                                                          |    |           |
|------------------------------------------------------------------------------------------|----|-----------|
| Increase from issuance of common shares in connection with reinvestment of distributions | -- | 1,338,341 |
|------------------------------------------------------------------------------------------|----|-----------|

|                              |            |            |
|------------------------------|------------|------------|
| Total increase in net assets | 39,946,274 | 75,080,815 |
|------------------------------|------------|------------|

Net assets

|                   |             |             |
|-------------------|-------------|-------------|
| Beginning of year | 952,729,532 | 877,648,717 |
|-------------------|-------------|-------------|

|                                                                                                            |               |               |
|------------------------------------------------------------------------------------------------------------|---------------|---------------|
| End of year (including undistributed net investment income of \$15,779,069 and \$11,156,565, respectively) | \$992,675,806 | \$952,729,532 |
|------------------------------------------------------------------------------------------------------------|---------------|---------------|

Number of fund shares

|                                         |             |             |
|-----------------------------------------|-------------|-------------|
| Shares outstanding at beginning of year | 141,198,870 | 140,989,259 |
|-----------------------------------------|-------------|-------------|

|                                                                |    |         |
|----------------------------------------------------------------|----|---------|
| Shares issued in connection with reinvestment of distributions | -- | 209,611 |
|----------------------------------------------------------------|----|---------|

|                                   |             |             |
|-----------------------------------|-------------|-------------|
| Shares outstanding at end of year | 141,198,870 | 141,198,870 |
|-----------------------------------|-------------|-------------|

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

Financial highlights

(For a common share outstanding throughout the period)

| Per-share operating performance | 2004 | 2003 | Year ended July 31 2002 | 2001 |
|---------------------------------|------|------|-------------------------|------|
|---------------------------------|------|------|-------------------------|------|

|                                      |        |        |        |        |
|--------------------------------------|--------|--------|--------|--------|
| Net asset value, beginning of period | \$6.75 | \$6.22 | \$6.68 | \$7.11 |
|--------------------------------------|--------|--------|--------|--------|

Investment operations:

|                           |         |     |     |     |
|---------------------------|---------|-----|-----|-----|
| Net investment income (a) | .44 (e) | .51 | .55 | .61 |
|---------------------------|---------|-----|-----|-----|

|                                                        |     |     |       |       |
|--------------------------------------------------------|-----|-----|-------|-------|
| Net realized and unrealized gain (loss) on investments | .31 | .54 | (.47) | (.51) |
|--------------------------------------------------------|-----|-----|-------|-------|

|                                  |     |      |     |     |
|----------------------------------|-----|------|-----|-----|
| Total from investment operations | .75 | 1.05 | .08 | .10 |
|----------------------------------|-----|------|-----|-----|

Less distributions:

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|                                      |        |        |        |        |
|--------------------------------------|--------|--------|--------|--------|
| From net investment income           | (.47)  | (.52)  | (.53)  | (.54)  |
| From return of capital               | --     | --     | (.01)  | (.01)  |
| Total distributions                  | (.47)  | (.52)  | (.54)  | (.54)  |
| Net asset value, end of period       | \$7.03 | \$6.75 | \$6.22 | \$6.03 |
| Market price, end of period          | \$6.29 | \$6.31 | \$6.03 | \$6.03 |
| Total return at market price (%) (b) | 7.18   | 13.41  | 4.44   | 8.54   |

## Ratios and supplemental data

|                                                          |           |           |            |           |
|----------------------------------------------------------|-----------|-----------|------------|-----------|
| Net assets, end of period (in thousands)                 | \$992,676 | \$952,730 | \$877,649  | \$942,125 |
| Ratio of expenses to average net assets (%) (c)          | .83 (e)   | .85       | .86        | .86       |
| Ratio of net investment income to average net assets (%) | 6.19 (e)  | 7.91      | 8.39       | 8.84      |
| Portfolio turnover (%)                                   | 78.43     | 96.21 (d) | 175.78 (d) | 231.54    |

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

(b) Total return assumes dividend reinvestment.

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

(d) Portfolio turnover excludes certain treasury note transactions executed in connection with a trading strategy.

(e) Reflects waivers of certain fund expenses during the period. As a result of such waivers, the fund for the period ended July 31, 2004 reflect a reduction of less than 0.01% of average assets (Note 4).

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

## Notes to financial statements July 31, 2004

### Note 1 Significant accounting policies

Putnam Premier Income Trust (the "fund"), a Massachusetts business trust, is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end management investment company. The fund seeks high current income consistent with the preservation of

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capital by allocating its investments among the U.S. government sector, high yield sector and international sector of the fixed-income securities market. The fund invests in higher yielding, lower-rated bonds that have a higher rate of default due to the nature of the investments.

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 valued at the last reported sales price on their principal exchange, or official closing price for certain markets. If no sales are reported -- as in the case of some securities traded over-the-counter -- a security is valued at its last reported bid price. Market quotations are not considered to be readily available for certain debt obligations; such investments are valued at fair value on the basis of valuations furnished by an independent pricing service or dealers, approved by the Trustees. Such services or dealers determine valuations for normal institutional-size trading units of such securities using methods based on market transactions for comparable securities and various relationships, generally recognized by institutional traders, between securities. Many securities markets and exchanges outside the U.S. close prior to the close of the New York Stock Exchange and therefore the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the New York Stock Exchange. Accordingly, on certain days, the fund will fair value foreign securities taking into account multiple factors, including movements in the U.S. securities markets. The number of days on which fair value prices will be used will depend on market activity and it is possible that fair value prices will be used by the fund to a significant extent. 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 valued at amortized cost, which approximates fair value. Other investments, including restricted securities, are valued at fair value following procedures approved by the Trustees. Such valuations and procedures are reviewed periodically by the Trustees.

B) Joint trading account The fund may transfer uninvested cash balances, including cash collateral received under security lending arrangements, 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, an indirect wholly-owned subsidiary of Putnam, LLC. These balances may be invested in issuers of high-grade short-term investments having maturities of up to 397 days for collateral received under security lending arrangements and up to 90 days for other cash investments.

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 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



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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 recorded 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, net of applicable withholding taxes, is recognized on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the fund is informed of the ex-dividend date. Non-cash dividends, if any, are recorded at the fair market value of the securities received.

All premiums/discounts are amortized /accreted 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 earned 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, currency gains and losses realized between the trade and settlement dates on securities transactions 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 buy and sell 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

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to meet the terms of their contracts or if the fund is unable to enter into a closing position. Forward currency contracts outstanding at period end, if any, are listed after the fund's portfolio.

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. Risks may exceed amounts recognized on the statement of assets and liabilities. 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. The fund and the broker agree to exchange an amount of cash equal to the daily fluctuation in the value of the futures contract. Such receipts or payments are known as "variation margin." 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. Futures and written option contracts outstanding at period end, if any, are listed after the fund's portfolio.

H) Interest rate swap contracts The fund may enter into interest rate swap contracts, which are arrangements between two parties to exchange cash flows based on a notional principal amount, to manage the fund's exposure to interest rates. Interest rate swap contracts are marked to market daily based upon quotations from market makers and the change, if any, is recorded as unrealized gain or loss. Payments received or made are recorded as realized gains or loss. The fund could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or if the counterparty defaults on its obligation to perform. Risks may exceed amounts recognized on the statement of assets and liabilities. Interest rate swap contracts outstanding at period end, if any, are listed after the fund's portfolio.

I) Credit default contracts The fund may enter into credit default contracts where one party, the protection buyer, makes an upfront payment to a counter party, the protection seller, in exchange for the right to receive a contingent payment. The maximum amount of the payment may equal the notional amount, at par, of the underlying index or security as a result of a related credit event. An upfront payment received by the fund, as the protection seller, is recorded as a liability on the fund's books. An upfront payment made by the fund, as the protection buyer, is recorded as an asset on the fund's books. The credit default contracts are marked to market daily based upon quotations from market makers and the change, if any, is recorded as unrealized gain or loss. Payments received or made as a result of a credit event or termination of the contract are recognized, net of a proportional amount of the upfront payment, as realized gains or losses. In addition to bearing the risk that the credit event will occur, the fund could be exposed to market risk due to unfavorable changes in

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interest rates or in the price of the underlying security or index, the possibility that the fund may be unable to close out its position at the same time or at the same price as if it had purchased comparable publicly traded securities or that the counterparty may default on its obligation to perform. The risk of loss may exceed the fair value of these contracts recognized on the statement of assets and liabilities. Credit default contracts outstanding at period end, if any, are listed after the fund's portfolio.

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

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

K) TBA sale commitments The fund may enter into TBA sale commitments to hedge its portfolio positions or to sell mortgage-backed securities it owns under delayed delivery arrangements. Proceeds of TBA sale commitments are not received until the contractual settlement date. During the time a TBA sale commitment is outstanding, equivalent deliverable securities or an offsetting TBA purchase commitment deliverable on or before the sale commitment date, are held as "cover" for the transaction.

Unsettled TBA sale commitments are valued at fair value of the underlying securities, generally according to the procedures described under "Security valuation" above. The contract is "marked-to-market" daily and the change in market value is recorded by the fund as an unrealized gain or loss. If the TBA sale commitment is closed through the acquisition of an offsetting purchase commitment, the fund realizes a gain or loss. If the fund delivers securities under the commitment, the fund realizes a gain or a loss from the sale of the securities based upon the unit price established at the date the commitment was entered into. TBA sale commitments outstanding at period end, if any, are listed after the fund's portfolio.

L) Security lending The fund may lend securities, through its agents, to qualified borrowers in order to earn additional income. The loans are collateralized by cash and/or securities in an amount at least equal to the market value of the securities loaned. The market value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. The risk of borrower default will be borne by the fund's agents; the fund will

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bear the risk of loss with respect to the investment of the cash collateral. Income from securities lending is included in investment income on the statement of operations. At July 31, 2004, the value of securities loaned amounted to \$1,258,023. The fund received cash collateral of \$1,316,566 which is pooled with collateral of other Putnam funds into 29 issuers of high grade short-term investments.

M) 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 4982 of the Internal Revenue Code of 1986 (the "Code"), as amended. Therefore, no provision has been made for federal taxes on income, capital gains or unrealized appreciation on securities held nor for excise tax on income and capital gains.

At July 31, 2004, the fund had a capital loss carryover of \$221,029,478 available to the extent allowed by the Code to offset future net capital gain, if any. The amount of the carryover and the expiration dates are:

| Loss Carryover | Expiration    |
|----------------|---------------|
| -----          |               |
| \$26,204,240   | July 31, 2007 |
| 44,857,570     | July 31, 2008 |
| 24,930,247     | July 31, 2009 |
| 44,917,486     | July 31, 2010 |
| 80,119,935     | July 31, 2011 |

N) Distributions to shareholders Distributions to shareholders from net investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. These differences include temporary and permanent differences of losses on wash sale transactions, foreign currency gains and losses, nontaxable dividends, dividends payable, defaulted bond interest, unrealized and realized gains and losses on certain futures contracts, market discount, interest on payment-in-kind securities, and income on swap contracts. Reclassifications are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. For the year ended July 31, 2004, the fund reclassified \$9,221,823 to increase undistributed net investment income and \$30,095 to increase paid-in-capital, with an increase to accumulated net realized losses of \$9,251,918.

The tax basis components of distributable earnings and the federal tax cost as of period end were as follows:

|                                      |                 |
|--------------------------------------|-----------------|
| Unrealized appreciation              | \$39,855,708    |
| Unrealized depreciation              | (52,382,071)    |
| -----                                |                 |
| Net unrealized depreciation          | (12,526,363)    |
| Undistributed ordinary income        | 22,381,555      |
| Capital loss carryforward            | (221,029,478)   |
| Cost for federal income tax purposes | \$1,133,105,172 |

Note 2

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Management fee, administrative  
services and other transactions

Putnam Management is paid for management and investment advisory services 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, LLC. Putnam Investor Services, a division of PFTC, provides investor servicing agent functions to the fund. During the year ended July 31, 2004, the fund paid PFTC \$884,612 for these services.

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 year ended July 31, 2004, the fund's expenses were reduced by \$22,769 under these arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$1,906, as a quarterly retainer, has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees receive additional fees for attendance at certain committee meetings.

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 Trustee compensation and expenses in the statement of operations. Accrued pension liability is included in Payable for Trustee compensation and expenses in the statement of assets and liabilities. The Trustees have terminated the Pension Plan with respect to any Trustee first elected after 2003.

### Note 3 Purchases and sales of securities

During the year ended July 31, 2004, cost of purchases and proceeds from sales of investment securities other than U.S. government securities and short-term investments aggregated \$629,141,583 and \$809,720,866, respectively. Purchases and sales of U.S. government securities aggregated \$90,715,238 and \$14,861,378, respectively.

### Note 4 Investment in Putnam Prime Money Market Fund

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The fund invests in the Putnam Prime Money Market Fund, an open-end management investment company managed by Putnam Management. Management fees paid by the fund are reduced by an amount equal to the management fees paid by Putnam Prime Money Market Fund with respect to assets invested by the fund in Putnam Prime Money Market Fund. Income distributions earned by the fund are recorded as income in the statement of operations and totaled \$304,266 for the period ended July 31, 2004.

### Note 5

#### Regulatory matters and litigation

On April 8, 2004, Putnam Management entered into agreements with the Securities and Exchange Commission and the Massachusetts Securities Division representing a final settlement of all charges brought against Putnam Management by those agencies on October 28, 2003 in connection with excessive short-term trading by Putnam employees and, in the case of the charges brought by the Massachusetts Securities Division, by participants in some Putnam-administered 401(k) plans. The settlement with the SEC requires Putnam Management to pay \$5 million in disgorgement plus a civil monetary penalty of \$50 million, and the settlement with the Massachusetts Securities Division requires Putnam Management to pay \$5 million in restitution and an administrative fine of \$50 million. The settlements also leave intact the process established under an earlier partial settlement with the SEC under which Putnam Management agreed to pay the amount of restitution determined by an independent consultant, which may exceed the disgorgement and restitution amounts specified above, pursuant to a plan to be developed by the independent consultant.

Putnam Management, and not the investors in any Putnam fund, will bear all costs, including restitution, civil penalties and associated legal fees stemming from both of these proceedings. The SEC's and Massachusetts Securities Division's allegations and related matters also serve as the general basis for numerous lawsuits, including purported class action lawsuits filed against Putnam Management and certain related parties, including certain Putnam funds. Putnam Management has agreed to bear any costs incurred by Putnam funds in connection with these lawsuits. Based on currently available information, Putnam Management believes that the likelihood that the pending private lawsuits and purported class action lawsuits will have a material adverse financial impact on the fund is remote, and the pending actions are not likely to materially affect its ability to provide investment management services to its clients, including the Putnam funds.

Review of these matters by counsel for Putnam Management and by separate independent counsel for the Putnam funds and their independent Trustees is continuing.

#### Federal tax information (Unaudited)

The fund has designated 1.38% of the distributions from net investment income as qualifying for the dividends received deduction for corporations.

For its tax year ended July 31, 2004, the fund hereby designates 1.34%, or the maximum amount allowable, of its net taxable income as qualified dividends taxed at individual net capital gain rates.

The Form 1099 you receive in January 2005 will show the tax status of

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all distributions paid to your account in calendar 2004.

Results of June 10, 2004  
shareholder meeting  
(Unaudited)

An annual meeting of shareholders of the fund was held on June 10, 2004.  
At the meeting, each of the nominees for Trustees was elected, as follows:

|                       | Votes for   | Votes withheld |
|-----------------------|-------------|----------------|
| Jameson Adkins Baxter | 126,407,006 | 5,275,000      |
| Charles B. Curtis     | 126,426,502 | 5,255,504      |
| John A. Hill          | 126,418,219 | 5,263,787      |
| Ronald J. Jackson     | 126,475,901 | 5,206,105      |
| Paul L. Joskow        | 126,483,372 | 5,198,634      |
| Elizabeth T. Kennan   | 126,374,928 | 5,307,078      |
| John H. Mullin, III   | 126,455,710 | 5,226,296      |
| Robert E. Patterson   | 126,466,058 | 5,215,948      |
| George Putnam, III    | 126,386,954 | 5,295,052      |
| A.J.C. Smith          | 126,379,813 | 5,302,193      |
| W. Thomas Stephens    | 126,439,081 | 5,242,925      |

All tabulations are rounded to nearest whole number.

### About the Trustees

Jameson A. Baxter (9/6/43), Trustee since 1994

Ms. Baxter is the President of Baxter Associates, Inc., a private investment firm that she founded in 1986.

Ms. Baxter serves as a Director of ASHTA Chemicals, Inc., Banta Corporation (a printing and digital imaging firm), Ryerson Tull, Inc. (a steel service corporation), Advocate Health Care and BoardSource, formerly the National Center for Nonprofit Boards. She is Chairman Emeritus of the Board of Trustees, Mount Holyoke College, having served as Chairman for five years and as a board member for thirteen years. Until 2002, Ms. Baxter was a Director of Intermatic Corporation (a manufacturer of energy control products).

Ms. Baxter has held various positions in investment banking and corporate finance, including Vice President and Principal of the Regency Group, and Vice President of and Consultant to First Boston Corporation. She is a graduate of Mount Holyoke College.

Charles B. Curtis (4/27/40), Trustee since 2001

Mr. Curtis is President and Chief Operating Officer of the Nuclear Threat Initiative (a private foundation dealing with national security issues) and serves as Senior Advisor to the United Nations Foundation.

Mr. Curtis is a member of the Council on Foreign Relations and the Trustee Advisory Council of the Applied Physics Laboratory, Johns Hopkins University. Until 2003, Mr. Curtis was a member of the Electric Power Research Institute Advisory Council and the University of Chicago Board of Governors for Argonne National Laboratory. Prior to 2002, Mr. Curtis was a Member of the Board of Directors of the Gas Technology

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Institute and the Board of Directors of the Environment and Natural Resources Program Steering Committee, John F. Kennedy School of Government, Harvard University. Until 2001, Mr. Curtis was a member of the Department of Defense Policy Board and Director of EG&G Technical Services, Inc. (a fossil energy research and development support company).

From August 1997 to December 1999, Mr. Curtis was a Partner at Hogan & Hartson L.L.P., a Washington, D.C. law firm. Prior to May 1997, Mr. Curtis was Deputy Secretary of Energy. He served as Chairman of the Federal Energy Regulatory Commission from 1977 to 1981 and has held positions on the staff of the U.S. House of Representatives, the U.S. Treasury Department, and the SEC.

John A. Hill (1/31/42), Trustee since 1985 and Chairman since 2000

Mr. Hill is Vice Chairman of First Reserve Corporation, a private equity buyout firm that specializes in energy investments in the diversified worldwide energy industry.

Mr. Hill is a Director of Devon Energy Corporation, TransMontaigne Oil Company, Continuum Health Partners of New York and various private companies controlled by First Reserve Corporation, as well as a Trustee of TH Lee, Putnam Investment Trust (a closed-end investment company advised by an affiliate of Putnam Management). He is also a Trustee of Sarah Lawrence College.

Prior to acquiring First Reserve Corporation in 1983, Mr. Hill held executive positions in investment banking and investment management with several firms and with the federal government, including Deputy Associate Director of the Office of Management and Budget and Deputy Director of the Federal Energy Administration. He is active in various business associations, including the Economic Club of New York, and lectures on energy issues in the United States and Europe. Mr. Hill holds a B.A. degree in Economics from Southern Methodist University and pursued graduate studies there as a Woodrow Wilson Fellow.

Ronald J. Jackson (12/17/43), Trustee since 1996

Mr. Jackson is a private investor.

Mr. Jackson is President of the Kathleen and Ronald J. Jackson Foundation (a charitable trust). He is also a member of the Board of Overseers of WGBH (a public television and radio station) as well as a member of the Board of Overseers of the Peabody Essex Museum.

Mr. Jackson is the former Chairman, President and Chief Executive Officer of Fisher-Price, Inc. (a major toy manufacturer), from which he retired in 1993. He previously served as President and Chief Executive Officer of Stride-Rite, Inc. (a manufacturer and distributor of footwear) and of Kenner Parker Toys, Inc. (a major toy and game manufacturer). Mr. Jackson was President of Talbots, Inc. (a distributor of women's apparel) and has held financial and marketing positions with General Mills, Inc. and Parker Brothers (a toy and game company). Mr. Jackson is a graduate of the University of Michigan Business School.

Paul L. Joskow (6/30/47), Trustee since 1997

Dr. Joskow is the Elizabeth and James Killian Professor of Economics and Management, and Director of the Center for Energy and Environmental Policy Research at the Massachusetts Institute of Technology.



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Dr. Joskow serves as a Director of National Grid Transco (a UK-based holding company with interests in electric and gas transmission and distribution and telecommunications infrastructure) and TransCanada Corporation (an energy company focused on natural gas transmission and power services). He also serves on the board of the Whitehead Institute for Biomedical Research (a non-profit research institution) and has been President of the Yale University Council since 1993. Prior to February 2002, he was a Director of State Farm Indemnity Company (an automobile insurance company), and, prior to March 2000, he was a Director of New England Electric System (a public utility holding company).

Dr. Joskow has published five books and numerous articles on topics in industrial organization, government regulation of industry, and competition policy. He is active in industry restructuring, environmental, energy, competition and privatization policies -- serving as an advisor to governments and corporations worldwide. Dr. Joskow holds a Ph.D. and M. Phil from Yale University and B.A. from Cornell University.

Elizabeth T. Kennan (2/25/38), Trustee since 1992

Dr. Kennan is a Partner of Cambus-Kenneth Farm (thoroughbred horse and cattle breeding). She is President Emeritus of Mount Holyoke College.

Dr. Kennan served as Chairman and is now Lead Director of Northeast Utilities and is a Director of Talbots, Inc. She has served as Director on a number of other boards, including Bell Atlantic, Chastain Real Estate, Shawmut Bank, Berkshire Life Insurance and Kentucky Home Life Insurance. She is a Trustee of the National Trust for Historic Preservation, of Centre College and of Midway College in Midway, Kentucky. She is also a member of The Trustees of Reservations. Dr. Kennan has served on the oversight committee of the Folger Shakespeare Library, as President of Five Colleges Incorporated, as a Trustee of Notre Dame University and is active in various educational and civic associations.

As a member of the faculty of Catholic University for twelve years, until 1978, Dr. Kennan directed the post-doctoral program in Patristic and Medieval Studies, taught history and published numerous articles. Dr. Kennan holds a Ph.D. from the University of Washington in Seattle, an M.S. from St. Hilda's College at Oxford University and an A.B. from Mount Holyoke College. She holds several honorary doctorates.

John H. Mullin, III (6/15/41), Trustee since 1997

Mr. Mullin is the Chairman and CEO of Ridgeway Farm (a limited liability company engaged in timber and farming).

Mr. Mullin serves as a Director of The Liberty Corporation (a broadcasting company), Progress Energy, Inc. (a utility company, formerly known as Carolina Power & Light) and Sonoco Products, Inc. (a packaging company). Mr. Mullin is Trustee Emeritus of The National Humanities Center and Washington & Lee University, where he served as Chairman of the Investment Committee. Prior to May 2001, he was a Director of Graphic Packaging International Corp. Prior to February 2004, he was a Director of Alex Brown Realty, Inc.

Mr. Mullin is also a past Director of Adolph Coors Company; ACX Technologies, Inc.; Crystal Brands, Inc.; Dillon, Read & Co., Inc.; Fisher-Price, Inc.; and The Ryland Group, Inc. Mr. Mullin is a graduate of Washington & Lee University and The Wharton Graduate School, University of Pennsylvania.

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Robert E. Patterson (3/15/45), Trustee since 1984

Mr. Patterson is Senior Partner of Cabot Properties, L.P. and Chairman of Cabot Properties, Inc.

Mr. Patterson serves as Chairman of the Joslin Diabetes Center and as a Director of Brandywine Trust Company. Prior to June 2003, he was a Trustee of Sea Education Association. Prior to December 2001, he was President and Trustee of Cabot Industrial Trust (a publicly traded real estate investment trust). Prior to February 1998, he was Executive Vice President and Director of Acquisitions of Cabot Partners Limited Partnership (a registered investment adviser involved in institutional real estate investments). And, prior to 1990, he served as Executive Vice President of Cabot, Cabot & Forbes Realty Advisors, Inc. (the predecessor company of Cabot Partners) and as a Senior Vice President of the Beal Companies (a real estate management, investment and development firm).

Mr. Patterson practiced law and held various positions in state government and was the founding Executive Director of the Massachusetts Industrial Finance Agency. Mr. Patterson is a graduate of Harvard College and Harvard Law School.

W. Thomas Stephens (9/2/42), Trustee since 1997

Mr. Stephens serves on a number of corporate boards.

Effective November 2004, Mr. Stephens is expected to become Chief Executive Officer of Boise Cascade, L.L.C. (a paper, forest products and timberland assets company). Mr. Stephens serves as a Director of Xcel Energy Incorporated (a public utility company) and TransCanada Pipelines Limited. Until 2004, Mr. Stephens was a Director of Qwest Communications and Norske Canada, Inc. (a paper manufacturer). Until 2003, Mr. Stephens was a Director of Mail-Well, Inc. (a diversified printing company). He served as Chairman of Mail-Well until 2001 and as CEO of MacMillan-Bloedel, Ltd. (a forest products company) until 1999.

Prior to 1996, Mr. Stephens was Chairman and Chief Executive Officer of Johns Manville Corporation. He holds B.S. and M.S. degrees from the University of Arkansas.

George Putnam, III\* (8/10/51), Trustee since 1984 and President since 2000

Mr. Putnam is President of New Generation Research, Inc. (a publisher of financial advisory and other research services), and of New Generation Advisers, Inc. (a registered investment advisor to private funds). Mr. Putnam founded the New Generation companies in 1986.

Mr. Putnam is a Director of The Boston Family Office, LLC (a registered investment adviser). He is a Trustee of St. Mark's School, Shore Country Day School, and until 2002 was a Trustee of the Sea Education Association.

Mr. Putnam previously worked as an attorney with the law firm of Dechert LLP (formerly known as Dechert Price & Rhoads) in Philadelphia. He is a graduate of Harvard College, Harvard Business School and Harvard Law School.

A.J.C. Smith\* (4/13/34), Trustee since 1986

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Mr. Smith is the Chairman of Putnam Investments and Director of and Consultant to Marsh & McLennan Companies, Inc.

Mr. Smith is also a Director of Trident Corp. (a limited partnership with over thirty institutional investors). He is also a Trustee of the Carnegie Hall Society, the Educational Broadcasting Corporation, and the National Museums of Scotland. He is Chairman of the Central Park Conservancy and a Member of the Board of Overseers of the Joan and Sanford I. Weill Graduate School of Medical Sciences of Cornell University. Prior to May 2000 and November 1999, Mr. Smith was Chairman and CEO, respectively, of Marsh & McLennan Companies, Inc.

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

As of July 31, 2004, there were 102 Putnam Funds.

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

\* Trustees who are or may be deemed to be "interested persons" (as defined in the Investment Company Act of 1940) of the fund, Putnam Management, Putnam Retail Management, or Marsh & McLennan Companies, Inc., the parent company of Putnam, LLC and its affiliated companies. Messrs. Putnam, III, and Smith are deemed "interested persons" by virtue of their positions as officers of the fund, Putnam Management, Putnam Retail Management or Marsh & McLennan Companies, Inc. and as shareholders of Marsh & McLennan Companies, Inc. George Putnam, III is the President of your fund and each of the other Putnam funds. Mr. Smith serves as a Director of and Consultant to Marsh & McLennan Companies, Inc. and as Chairman of Putnam Investments.

### Officers

In addition to George Putnam, III, the other officers of the fund are shown below:

Charles E. Porter (7/26/38)  
Executive Vice President, Associate Treasurer  
and Principal Executive Officer  
Since 1989

Managing Director, Putnam Investments  
and Putnam Management

Jonathan S. Horwitz (6/4/55)  
Senior Vice President and Treasurer  
Since 2004

Managing Director, Putnam Investments

Steven D. Krichmar (6/27/58)  
Vice President and Principal Financial Officer  
Since 2002

Senior Managing Director, Putnam Investments.  
Prior to July 2001, Partner,  
PricewaterhouseCoopers LLP

Michael T. Healy (1/24/58)  
Assistant Treasurer and Principal

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Accounting Officer  
Since 2000

Managing Director, Putnam Investments

Beth S. Mazor (4/6/58)  
Vice President  
Since 2002

Senior Vice President, Putnam Investments

Daniel T. Gallagher (2/27/62)  
Vice President and Legal and Compliance  
Liaison Officer  
Since 2004

Vice President, Putnam Investments. Prior to  
2004, Associate, Ropes & Gray LLP; prior to  
2000, Law Clerk, Massachusetts Supreme  
Judicial Court

Francis J. McNamara, III (8/19/55)  
Vice President and Chief Legal Officer  
Since 2004

Senior Managing Director, Putnam  
Investments, Putnam Management and  
Putnam Retail Management. Prior to 2004,  
General Counsel, State Street Research &  
Management Company

James P. Pappas (2/24/53)  
Vice President  
Since 2004

Managing Director, Putnam Investments and  
Putnam Management. From 2001 to 2002, Chief  
Operating Officer, Atalanta/Sosnoff Management  
Corporation; prior to 2001, President and Chief  
Executive Officer, UAM Investment Services, Inc.

Richard S. Robie, III (3/30/60)  
Vice President  
Since 2004

Senior Managing Director, Putnam  
Investments, Putnam Management and  
Putnam Retail Management. Prior to 2003,  
Senior Vice President, United Asset  
Management Corporation

Mark C. Trenchard (6/5/62)  
Vice President and BSA Compliance Officer  
Since 2002

Senior Vice President, Putnam Investments

Judith Cohen (6/7/45)  
Clerk and Assistant Treasurer  
Since 1993

Clerk and Assistant Treasurer, The Putnam Funds

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

### Fund information

#### About Putnam Investments

One of the largest mutual fund families in the United States, Putnam Investments has a heritage of investment leadership dating back to Judge Samuel Putnam, whose Prudent Man Rule has defined fiduciary tradition and practice since 1830. Founded over 65 years ago, Putnam Investments was built around the concept that a balance between risk and reward is the hallmark of a well-rounded financial program. We presently manage over 100 mutual funds in growth, value, blend, fixed income, and international.

#### 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 LLP

Independent Registered  
Public Accounting Firm

KPMG LLP

#### Trustees

John A. Hill, Chairman  
Jameson Adkins Baxter  
Charles B. Curtis  
Ronald J. Jackson  
Paul L. Joskow  
Elizabeth T. Kennan  
John H. Mullin, III  
Robert E. Patterson  
George Putnam, III  
A.J.C. Smith  
W. Thomas Stephens

#### Officers

George Putnam, III  
President

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Charles E. Porter  
Executive Vice President,  
Associate Treasurer and  
Principal Executive Officer

Jonathan S. Horwitz  
Senior Vice President  
and Treasurer

Steven D. Krichmar  
Vice President and Principal  
Financial Officer

Michael T. Healy  
Assistant Treasurer and  
Principal Accounting Officer

Beth S. Mazor  
Vice President

Daniel T. Gallagher  
Vice President and Legal and  
Compliance Liaison Officer

James P. Pappas  
Vice President

Richard S. Robie, III  
Vice President

Mark C. Trenchard  
Vice President and BSA  
Compliance Officer

Francis J. McNamara, III  
Vice President and Chief  
Legal Officer

Judith Cohen  
Clerk and Assistant Treasurer

Call 1-800-225-1581 weekdays from 9:00 a.m. to 5:00 p.m. Eastern Time,  
or visit our Web site ([www.putnaminvestments.com](http://www.putnaminvestments.com)) anytime for up-to-date  
information about the fund's NAV.

[LOGO OMITTED]

PUTNAM INVESTMENTS

The Putnam Funds  
One Post Office Square  
Boston, Massachusetts 02109

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## Item 2. Code of Ethics:

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

## Item 3. Audit Committee Financial Expert:

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

## Item 4. Principal Accountant Fees and Services:

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

| Fiscal year ended | Audit Fees | Audit-Related Fees | Tax Fees | All Other Fees |
|-------------------|------------|--------------------|----------|----------------|
| -----             | -----      | -----              | -----    | -----          |
| July 31, 2004     | \$40,150   | \$--               | \$4,150  | \$176          |
| July 31, 2003     | \$34,900   | \$--               | \$3,600  | \$--           |

For the fiscal years ended July 31, 2004 and July 31, 2003, the fund's independent auditors billed aggregate non-audit fees in the amounts of \$ 4,326 and \$3,600 , respectively, to the fund, Putnam Management and any entity controlling, controlled by or under common control with Putnam Management that provides ongoing services to the fund.

Audit Fees represents fees billed for the fund's last two fiscal years.

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

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

All Other Fees represent fees billed for services relating to interfund trading.

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

Under certain circumstances, the Audit and Pricing Committee believes that it may be appropriate for Putnam Investment Management, LLC ("Putnam Management") and certain of its affiliates to engage the services of the funds' independent auditors, but only after prior approval by the Committee. Such requests are required to be submitted in writing to the Committee and explain, among other things, the nature of the proposed engagement, the estimated fees, and why this work must be performed by that particular audit firm. The Committee will review the proposed engagement at its next meeting.

Since May 6, 2003, all work performed by the independent auditors for the funds, Putnam Management and any entity controlling, controlled by or under common control with Putnam Management that provides ongoing services to the fund was pre-approved by the Committee or a member of the Committee pursuant to the pre-approval policies discussed above. Prior to that date, the Committee had a general policy to pre-approve the independent auditor's engagements for non-audit services with the funds, Putnam Management and any entity controlling, controlled by or under common control with Putnam Management that provides ongoing services to the fund.

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

| Fiscal year ended | Audit-Related Fees | Tax Fees | All Other Fees | Total Non-Audit Fees |
|-------------------|--------------------|----------|----------------|----------------------|
| June 30, 2004     | \$--               | \$--     | \$--           | \$--                 |
| June 30, 2003     | \$--               | \$--     | \$--           | \$--                 |

### Item 5. Audit Committee

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



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Paul L. Joskow (Chairperson)  
Robert E. Patterson  
W. Thomas Stephens  
Elizabeth T. Kennan

(b) Not applicable

Item 6. Schedule of Investments: Not applicable  
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Item 7. Disclosure of Proxy Voting Policies and Procedures For Closed-End  
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Management Investment Companies:  
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Proxy Voting Guidelines of the Putnam Funds  
-----

The proxy voting guidelines below summarize the Funds' positions on various issues of concern to investors, and give a general indication of how Fund portfolio securities will be voted on proposals dealing with a particular issue. The Funds' proxy voting service is instructed to vote all proxies relating to Fund portfolio securities in accordance with these guidelines, except as otherwise instructed by the Proxy Coordinator.

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

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

The following guidelines are grouped according to the types of proposals generally presented to shareholders. Part I deals with proposals which have been approved and recommended by a company's board of directors. Part II deals with proposals submitted by shareholders for inclusion in proxy statements. Part III addresses unique considerations pertaining to foreign issuers.

I. Board-Approved Proposals  
-----

The vast majority of matters presented to shareholders for a vote

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

### A. Matters Relating to the Board of Directors

-----

The board of directors has the important role of overseeing management and its performance on behalf of shareholders. The Funds' proxies will be voted for the election of the company's nominees for directors and for board-approved proposals on other matters relating to the board of directors (provided that such nominees and other matters have been approved by an independent nominating committee), except as follows:

- \* The Funds will withhold votes for the entire board of directors if
- \* The board does not have a majority of independent directors; or
- \* The board does not have nominating, audit and compensation committees composed solely of independent directors.

Commentary: While these requirements will likely become mandatory for most public companies in the near future as a result of pending NYSE and NASDAQ rule proposals, the Funds' Trustees believe that there is no excuse for public company boards that fail to implement these vital governance reforms at their next annual meeting. For these purposes, an "independent director" is a director who meets all requirements to serve as an independent director of a company under the pending NYSE rule proposals (i.e., no material business relationships with the company, no present or recent employment relationship with the company (including employment of immediate family members) and, in the case of audit committee members, no compensation for non-board services). As indicated below, the Funds will generally vote on a case-by-case basis on board-approved proposals where the board fails to meet these basic independence standards.

- \* The Funds will withhold votes for any nominee for director who is considered an independent director by the company and who has received compensation from the company other than for service as a director (e.g., investment banking, consulting, legal or financial advisory fees).

Commentary: The Funds' Trustees believe that receipt of compensation for services other than service as a director raises significant independence issues. The Funds will withhold votes for any nominee for director who is considered an independent director by the company and who receives such compensation.

- \* The Funds will withhold votes for the entire board of directors if the board has more than 19 members or fewer than five members, absent special circumstances.

Commentary: The Funds' Trustees believe that the size of the board of directors can have a direct impact on the ability of the board to govern effectively. Boards that have too many members can be unwieldy and ultimately inhibit their ability to oversee management performance. Boards that have too few members can stifle innovation and lead to

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excessive influence by management.

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

\* The Funds will withhold votes for any nominee for director who attends less than 75% of board and committee meetings without valid reasons for the absences (i.e., illness, personal emergency, etc.).

Commentary: Being a director of a company requires a significant time commitment to adequately prepare for and attend the company's board and committee meetings. Directors must be able to commit the time and attention necessary to perform their fiduciary duties in proper fashion, particularly in times of crisis.

The Funds' Trustees are concerned about over-committed directors. In some cases, directors may serve on too many boards to make a meaningful contribution. This may be particularly true for senior executives of public companies (or other directors with substantially full-time employment) who serve on more than a few outside boards. The Funds may withhold votes from such directors on a case-by-case basis where it appears that they may be unable to discharge their duties properly because of excessive commitments.

\* The Funds will withhold votes for any nominee for director of a public company (Company A) who is employed as a senior executive of another public company (Company B) if a director of Company B serves as a senior executive of Company A (commonly referred to as an "interlocking directorate").

Commentary: The Funds' Trustees believe that interlocking directorships are inconsistent with the degree of independence required for outside directors of public companies.

Board independence depends not only on its members' individual relationships, but also the board's overall attitude toward management. Independent boards are committed to good corporate governance practices and, by providing objective independent judgment, enhancing shareholder value. The Funds may withhold votes on a case-by-case basis from some or all directors that, through their lack of independence, have failed to observe good corporate governance practices or, through specific corporate action, have demonstrated a disregard for the interest of shareholders.

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

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

### B. Executive Compensation

-----  
The Funds generally favor compensation programs that relate executive compensation to a company's long-term performance. The Funds will vote on a case-by-case basis on board-approved proposals relating to

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executive compensation, except as follows:

\* Except where the Funds are otherwise withholding votes for the entire board of directors, the Funds will vote for stock option plans which will result in an average annual dilution of 1.67% or less (including all equity-based plans).

\* The Funds will vote against stock option plans that permit replacing or repricing of underwater options (and against any proposal to authorize such replacement or repricing of underwater options).

\* The Funds will vote against stock option plans that permit issuance of options with an exercise price below the stock's current market price.

\* Except where the Funds are otherwise withholding votes for the entire board of directors, the Funds will vote for employee stock purchase plans that have the following features: (1) the shares purchased under the plan are acquired for no less than 85% of their market value, (2) the offering period under the plan is 27 months or less, and (3) dilution is 10% or less.

Commentary: Companies should have compensation programs that are reasonable and that align shareholder and management interests over the longer term. Further, disclosure of compensation programs should provide absolute transparency to shareholders regarding the sources and amounts of, and the factors influencing, executive compensation. Appropriately designed equity-based compensation plans can be an effective way to align the interests of long-term shareholders with the interests of management. The Funds may vote against executive compensation proposals on a case-by-case basis where compensation is excessive by reasonable corporate standards, or where a company fails to provide transparent disclosure of executive compensation. In voting on proposals relating to executive compensation, the Funds will consider whether the proposal has been approved by an independent compensation committee of the board.

### C. Capitalization

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

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

\* The Funds will vote for proposals to effect stock splits (excluding reverse stock splits.)

\* The Funds will vote for proposals authorizing share repurchase programs.

Commentary: A company may decide to authorize additional shares of common stock for reasons relating to executive compensation or for routine business purposes. For the most part, these decisions are best left to the board of directors and senior management. The Funds will vote on a case-by-case basis, however, on other proposals to change a

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company's capitalization, including the authorization of common stock with special voting rights, the authorization or issuance of common stock in connection with a specific transaction (e.g., an acquisition, merger or reorganization) or the authorization or issuance of preferred stock. Actions such as these involve a number of considerations that may impact a shareholder's investment and warrant a case-by-case determination.

### D. Acquisitions, Mergers, Reincorporations, Reorganizations and Other Transactions

-----

Shareholders may be confronted with a number of different types of transactions, including acquisitions, mergers, reorganizations involving business combinations, liquidations and sale of all or substantially all of a company's assets, which may require their consent. Voting on such proposals involves considerations unique to each transaction. As a result, the Funds will vote on a case-by-case basis on board-approved proposals to effect these types of transactions, except as follows:

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

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

### E. Anti-Takeover Measures

-----

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

- \* The Funds will vote on a case-by-case basis on proposals to ratify or approve shareholder rights plans (commonly referred to as "poison pills"); and

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

Commentary: The Funds' Trustees recognize that poison pills and fair price provisions may enhance shareholder value under certain circumstances. As a result, the Funds will consider proposals to approve such matters on a case-by-case basis.

### F. Other Business Matters

-----

Many proxies involve approval of routine business matters, such as changing the company's name, ratifying the appointment of auditors and procedural matters relating to the shareholder meeting. For the most part, these routine matters do not materially affect shareholder

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interests and are best left to the board of directors and senior management of the company. The Funds will vote for board-approved proposals approving such matters, except as follows:

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

- \* The Funds will vote against authorization to transact other unidentified, substantive business at the meeting.

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

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

### II. Shareholder Proposals

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

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

- \* The Funds will vote for shareholder proposals to require shareholder approval of shareholder rights plans.

- \* The Funds will vote for shareholder proposals that are consistent with the Fund's proxy voting guidelines for board-approved proposals.

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

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

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will generally support the recommendations of boards that meet the basic independence and governance standards established in these guidelines. Where boards fail to meet these standards, the Funds will generally evaluate shareholder proposals on a case-by-case basis.

### III. Voting Shares of Foreign Issuers

Many of the Funds invest on a global basis and, as a result, they may be required to vote shares held in foreign issuers - i.e., issuers that are incorporated under the laws of a foreign jurisdiction and that are not listed a U.S. securities exchange or the NASDAQ stock market. Because foreign issuers are incorporated under the laws of countries and jurisdictions outside the U.S., protection for shareholders may vary significantly from jurisdiction to jurisdiction. Laws governing foreign issuers may, in some cases, provide substantially less protection for shareholders. As a result, the foregoing guidelines, which are premised on the existence of a sound corporate governance and disclosure framework, may not be appropriate under some circumstances for foreign issuers. The Funds will vote proxies of foreign issuers in accordance with the foregoing guidelines where applicable, except as follows:

- \* The Funds will vote for shareholder proposals calling for a majority of the directors to be independent of management.
- \* The Funds will vote for shareholder proposals seeking to increase the independence of board nominating, audit and compensation committees.
- \* The Funds will vote for shareholder proposals that implement corporate governance standards similar to those established under U.S. federal law and the listing requirements of U.S. stock exchanges, and that do not otherwise violate the laws of the jurisdiction under which the company is incorporated.
- \* The Funds will vote on case-by-case basis on proposals relating to (1) the issuance of common stock in excess of 20% of a company's outstanding common stock where shareholders do not have preemptive rights, or (2) the issuance of common stock in excess of 100% of a company's outstanding common stock where shareholders have preemptive rights.

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

As adopted March 14, 2003

### Proxy Voting Procedures of the Putnam Funds

#### The Role of the Funds' Trustees

The Trustees of the Putnam Funds exercise control of the voting of proxies through their Board Policy and Nominating Committee, which is composed entirely of independent Trustees. The Board Policy and Nominating Committee oversees the proxy voting process and participates, as needed, in the resolution of issues which need to be handled on a

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case-by-case basis. The Committee annually reviews and recommends for approval by the Trustees guidelines governing the Funds' proxy votes, including how the Funds vote on specific proposals and which matters are to be considered on a case-by-case basis. The Trustees are assisted in this process by their independent administrative staff ("Fund Administration"), independent legal counsel, and an independent proxy voting service. The Trustees also receive assistance from Putnam Investment Management, LLC ("Putnam Management"), the Funds' investment adviser, on matters involving investment judgments. In all cases, the ultimate decision on voting proxies rests with the Trustees, acting as fiduciaries on behalf of the shareholders of the Funds.

### The Role of the Proxy Voting Service

-----

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

### The Role of the Proxy Coordinator

-----

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

### Voting Procedures for Referral Items

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As discussed above, the proxy voting service will refer proxy questions to the Proxy Coordinator under certain circumstances. When the application of the proxy voting guidelines is unclear or a particular proxy question is not covered by the guidelines (and does not involve investment considerations), the Proxy Coordinator will assist in interpreting the guidelines and, as appropriate, consult with the Senior Vice President of Fund Administration, the Executive Vice President of Fund Administration and the Chair of the Board Policy and Nominating Committee on how the Funds' shares will be voted.

For proxy questions that require a case-by-case analysis pursuant to the guidelines or that are not covered by the guidelines but involve investment considerations, the Proxy Coordinator will refer such questions, through a written request, to Putnam Management's investment professionals for a voting recommendation. Such referrals will be made



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in cooperation with the person or persons designated by Putnam Management's Legal and Compliance Department to assist in processing such referral items. In connection with each such referral item, the Legal and Compliance Department will conduct a conflicts of interest review, as described below under "Conflicts of Interest," and provide a conflicts of interest report (the "Conflicts Report") to the Proxy Coordinator describing the results of such review. After receiving a referral item from the Proxy Coordinator, Putnam Management's investment professionals will provide a written recommendation to the Proxy Coordinator and the person or persons designated by the Legal and Compliance Department to assist in processing referral items. Such recommendation will set forth (1) how the proxies should be voted, (2) the basis and rationale for such recommendation, and (3) any contacts the investment professionals have had with respect to the referral item with non-investment personnel of Putnam Management or with outside parties (except for routine communications from proxy solicitors). The Proxy Coordinator will then review the investment professionals' recommendation and the Conflicts Report with the Senior Vice President and/or Executive Vice President in determining how to vote the Funds' proxies. The Proxy Coordinator will maintain a record of all proxy questions that have been referred to Putnam Management's investment professionals, the voting recommendation and the Conflicts Report.

In some situations, the Proxy Coordinator, the Senior Vice President and/or the Executive Vice President may determine that a particular proxy question raises policy issues requiring consultation with the Chair of the Board Policy and Nominating Committee who, in turn, may decide to bring the particular proxy question to the Committee or the full board of Trustees for consideration.

### Conflicts of Interest

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

As adopted March 14, 2003

Item 8. Purchases of Equity Securities by Closed-End Management Investment

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Companies and Affiliated Purchasers: Not applicable  
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Item 9. Submission of Matters to a Vote of Security Holders:  
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Not applicable

Item 10. Controls and Procedures:  
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(a) The registrant's principal executive officer and principal financial officer have concluded, based on their evaluation of the effectiveness of the design and operation of the registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report, that the design and operation of such procedures are generally effective to provide reasonable assurance that information required to be disclosed by the registrant in this report is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

(b) Changes in internal control over financial reporting:

Not applicable

Item 11. Exhibits:  
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(a) The Code of Ethics of The Putnam Funds, which incorporates the Code of Ethics of Putnam Investments, is filed herewith.

(b) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2 under the Investment Company Act of 1940, as amended, and the officer certifications as required by Section 906 of the Sarbanes-Oxley Act of 2002 are filed herewith.

### SIGNATURES

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

#### NAME OF REGISTRANT

By (Signature and Title):

/s/Michael T. Healy  
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Michael T. Healy  
Principal Accounting Officer

Date: September 27, 2004

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

By (Signature and Title):

/s/Charles E. Porter  
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Charles E. Porter  
Principal Executive Officer

Date: September 27, 2004

By (Signature and Title):

/s/Steven D. Krichmar

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Steven D. Krichmar  
Principal Financial Officer

Date: September 27, 2004