

PUTNAM PREMIER INCOME TRUST
Form N-CSRS
March 28, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: (811-05452)

Exact name of registrant as specified in charter: Putnam Premier Income Trust

Address of principal executive offices: One Post Office Square, Boston, Massachusetts 02109

Name and address of agent for service: Robert T. Burns, Vice President
One Post Office Square
Boston, Massachusetts 02109

Copy to: Bryan Chegwiddden, Esq.
Ropes & Gray LLP
1211 Avenue of the Americas
New York, New York 10036

Registrant's telephone number, including area code: (617) 292-1000

Date of fiscal year end: July 31, 2018

Date of reporting period: August 1, 2017 — January 31, 2018

Item 1. Report to Stockholders:

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

Putnam Premier Income Trust

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Consider these risks before investing: International investing involves currency, economic, and political risks. Emerging-market securities carry illiquidity and volatility risks. Lower-rated bonds may offer higher yields in return for more risk. Funds that invest in government securities are not guaranteed. Mortgage-backed securities are subject to prepayment risk and the risk that they may increase in value when interest rates decline and decline in value when interest rates rise. Bond investments are subject to interest-rate risk (the risk of bond prices falling if interest rates rise) and credit risk (the risk of an issuer defaulting on interest or principal payments). Interest-rate risk is greater for longer-term bonds, and credit risk is greater for below-investment-grade bonds. Risks associated with derivatives include increased investment exposure (which may be considered leverage) and, in the case of over-the-counter instruments, the potential inability to terminate or sell derivatives positions and the potential failure of the other party to the instrument to meet its obligations. Unlike bonds, funds that invest in bonds have fees and expenses. Bond prices may fall or fail to rise over extended periods of time for a variety of reasons, including general financial market conditions, changing market perceptions (including perceptions about the risk of default and expectations about monetary policy or interest rates), changes in government intervention in the financial markets, and factors related to a specific sector, issuer or industry. These and other factors may also lead to increased volatility and reduced liquidity in the fund's portfolio holdings. You can lose money by investing in the fund. The fund's shares trade on a stock exchange at market prices, which may be lower than the fund's net asset value.

Message from the Trustees

March 15, 2018

Dear Fellow Shareholder:

After an extended period of record advances and low volatility, the U.S. stock market has encountered some challenges. Following several turbulent days, the S&P 500 Index entered correction territory on February 8, 2018, closing more than 10% below its January 2018 peak. Global stock and bond markets have also struggled as concerns grow about rising inflation and interest rates.

While declines like this can be unsettling, seasoned investors recognize that they are natural and ultimately can restore balance in the financial markets. In this changing environment, Putnam's experienced investment professionals continue to monitor risks and seek opportunities. They take a research-intensive approach to investing that includes risk management strategies designed to serve investors in all types of markets.

As always, we believe investors should maintain a well-diversified portfolio, think about long-term goals, and speak regularly with their financial advisors. You can learn more about how your fund performed, and your fund

manager's outlook for the coming months, in the following report.

Thank you for investing with Putnam.

When Putnam Premier Income Trust was launched in 1988, its three-pronged focus on U.S. investment-grade bonds, high-yield corporate bonds, and non-U.S. bonds was considered innovative.

In the more than 25 years since then, the fixed-income landscape has undergone a dramatic transformation, but the spirit of ingenuity that helped launch the fund is still with it today.

A veteran portfolio management team

The fund's managers strive to build a well-diversified portfolio that carefully balances risk and return, targeting opportunities in interest rates, credit, mortgages, and currencies from across the full spectrum of the global bond markets.

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Diversified holdings across a wide range of security types and market sectors

Allocations are shown as a percentage of the fund's net assets as of 1/31/18. Cash and net other assets, if any, represent the market value weights of cash, derivatives, short-term securities, and other unclassified assets in the portfolio. Summary information may differ from the portfolio schedule included in the financial statements due to the inclusion of derivative securities, any interest accruals, the use of different classifications of securities for presentation purposes, and rounding. Allocations may not total 100% because the table includes the notional value of certain derivatives (the economic value for purposes of calculating periodic payment obligations), in addition to the market value of securities. Holdings and allocations may vary over time.

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Data are historical. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return and net asset value will fluctuate, and you may have a gain or a loss when you sell your shares. Performance assumes reinvestment of distributions and does not account for taxes. Fund returns in the bar chart are at NAV. See below and pages 11–12 for additional performance information, including fund returns at market price. Index and Lipper results should be compared with fund performance at NAV.

Effective January 30, 2018, the ICE BofAML U.S. Treasury Bill Index replaced the Bloomberg Barclays Government Bond Index as the fund's primary benchmark. In Putnam Management's opinion, the new index is more appropriate to the fund's flexible multisector investment approach.

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* The fund's primary benchmark (ICE BofAML U.S. Treasury Bill Index) was introduced on 6/30/92, which post-dates the inception of the fund's class A shares.

†Returns for the six-month period are not annualized, but cumulative.

This comparison shows your fund's performance in the context of broad market indexes for the six months ended 1/31/18. See above and pages 11–12 for additional fund performance information. Index descriptions can be found on pages 13–14.

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Bill is Chief Investment Officer, Fixed Income. He has an M.B.A. from the Haas School of Business, University of California, Berkeley, and a B.A. from the University of California, San Diego. Bill joined Putnam in 1994 and has been in the investment industry since 1988.

Your fund is also managed by Michael J. Atkin; Robert L. Davis, CFA; Brett S. Kozlowski, CFA; Co-Head of Fixed Income Michael V. Salm; and Co-Head of Fixed Income Paul D. Scanlon, CFA.

Bill, what was the economic environment like during the reporting period?

Overall, the environment continued to be supportive for risk-driven fixed-income strategies, providing a favorable backdrop for the fund's multisector approach. Nearly all of our underlying strategies contributed something to the fund's absolute performance.

U.S. gross domestic product [GDP] registered two consecutive quarters of 3% or better annualized growth in the second and third quarters of 2017 before pulling back slightly to 2.6% in the fourth quarter. Consumer spending was solid overall, as was business investment, and exports grew, reflecting a strengthening global economy. The unemployment rate reached a 17-year low of 4.1%.

In late December, the U.S. Congress passed a \$1.5 trillion tax cut that reduced the top corporate rate from 35% to 21%. Investors cheered the passage with optimism that a lower tax burden, along with a rollback of environmental, labor, financial, and other regulations, could bolster U.S. GDP growth in 2018.

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Credit qualities are shown as a percentage of the fund's net assets as of 1/31/18. A bond rated BBB or higher (A-3 or higher, for short-term debt) is considered investment grade. This chart reflects the highest security rating provided by one or more of Standard & Poor's, Moody's, and Fitch. To-be-announced (TBA) mortgage commitments, if any, are included based on their issuer ratings. Ratings may vary over time.

Cash, derivative instruments, and net other assets are shown in the not-rated category. Payables and receivables for TBA mortgage commitments are included in the not-rated category and may result in negative weights. The fund itself has not been rated by an independent rating agency.

What were some recent trends in fixed-income markets?

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After declining slightly in August 2017, the yield on the benchmark 10-year U.S. Treasury trended higher over the course of the period. The yield jumped in January, as the market anticipated potentially higher inflation in 2018.

In October, the Federal Reserve began the process of shrinking its \$4.5 trillion portfolio of Treasuries and agency mortgage-backed securities [MBS] that it accumulated after the 2008 financial crisis. It is allowing a specific amount of securities to mature each month (or pay down, in the case of MBS), and plans to increase the amount of maturities each quarter.

In December, the Fed hiked its benchmark interest rate by a quarter percentage point to a range of 1.25% to 1.5%. The central bank also reiterated its forecast for raising rates potentially three times in 2018.

The fund's primary benchmark changed during the period. What was the reason for this shift?

The primary benchmark was changed from the Bloomberg Barclays Government Bond Index to the ICE BofAML U.S. Treasury Bill Index. As a "cash" benchmark, we believe the Treasury Bill index is more consistent with the fund's multisector investment approach.

Please tell us more about specific investments that fueled the fund's results.

Our mortgage credit strategies were the biggest contributor, led by an allocation to agency credit-risk transfer securities [CRTs]. The sector rebounded from a hurricane-driven selloff in August, as investors concluded that initial damage fears were overblown. Furthermore, CRTs continued to benefit from strong overall demand, as investors continued to embrace the sector's relatively high yields backed by robust collateral and rising residential real estate prices.

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Additionally within mortgage credit, an allocation to mezzanine commercial mortgage-backed securities [CMBS] was a further contributor. Strong results from our cash bond holdings were partially offset by long exposure to the BBB-rated tranche within the CMBX — an index that provides access to a basket of CMBS from a particular year. Investors continued to express bearish views about the retail industry via CMBX.

Our holdings of high-yield corporate bonds also substantially aided results for the period, bolstered by a benign default backdrop, strong corporate earnings, and an improving U.S. economy. The yield spread of the JPMorgan Developed High Yield Index tightened by 0.49% for the six-month period, as bond prices rose. Sector-wise, positions in basic materials, consumer cyclicals, and energy added the most value.

Which other strategies or holdings helped performance?

Investments in emerging-market debt provided a further boost to results this period. From a country perspective, positions in Argentina and Brazil were the biggest contributors, whereas holdings in Venezuela detracted, as the country announced plans to restructure its debt.

Strategies targeting prepayment risk also proved additive. Our holdings of agency interest-only collateralized mortgage obligations [IO CMOs] benefited from demand for higher-yielding securities. Additionally, rising intermediate-term yields reduced the likelihood that the mortgages underlying our IO CMO positions would be refinanced.

Lastly, our global interest-rate and yield-curve strategies also contributed, fueled by generally favorable duration positioning and

This table shows the fund's top holdings across three key sectors and the percentage of the fund's net assets that each represented as of 1/31/18. Short-term investments, TBA commitments, and derivatives, if any, are excluded. Holdings may vary

over time.

a bias toward steeper yield curves, primarily in January.

What about detractors?

Our currency strategies worked against performance this period. Our strategy was hampered by short positions in the New Zealand dollar and the Swedish krona, both of which strengthened against the U.S. dollar.

In January, the U.S. dollar weakened versus all other major currencies. During this time, our long positions in the euro and the Australian dollar proved additive and partially offset the overall negative impact of our currency strategies.

How did you use derivatives during the period?

We used bond futures and interest-rate swaps to take tactical positions at various points along the yield curve, to hedge the risk associated with the fund's yield-curve positioning, and to gain exposure to rates in various countries. In addition, we employed interest-rate swaps and options to hedge the interest-rate and prepayment risks associated with our CMO holdings, and to help manage overall downside risk. Lastly, we utilized currency forward contracts to hedge the foreign exchange risk associated with non-U.S. bonds and to efficiently gain exposure to foreign currencies.

What is your outlook for the coming months?

We believe the acceleration in global growth seen in 2017 will likely continue in 2018, but with significant changes in its components. We think U.S. GDP may strengthen somewhat from its recent level. We also think growth in Europe and Japan may improve relative to the United States as 2018 unfolds. As a result, we think the euro and possibly the yen may strengthen versus the dollar later in the year. Meanwhile, the United Kingdom may be headed toward a softer version of Brexit as a consequence of recent developments in the country's

This chart shows how the fund's sector weightings have changed over the past six months. Allocations are shown as a percentage of the fund's net assets. Cash and net other assets, if any, represent the market value weights of cash, derivatives, short-term securities, and other unclassified assets in the portfolio. Current period summary information may differ from the portfolio schedule included in the financial statements due to the inclusion of derivative securities, any interest accruals, the use of different classifications of securities for presentation purposes, and rounding.

Allocations may not total 100% because the table includes the notional value of certain derivatives (the economic value for purposes of calculating periodic payment obligations), in addition to the market value of securities. Holdings and allocations may vary over time.

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efforts to separate from the European Union. Overall, we expect reasonably solid global growth, continued policy tightening by the Fed, relatively benign inflation, and a generally supportive environment for risk-driven assets. We also think bond yields may continue to drift higher over the course of 2018 as rate normalization continues.

Thanks for your time and for bringing us up to date, Bill.

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

Please note that the holdings discussed in this report may not have been held by the fund for the entire period. Portfolio composition is subject to review in accordance with the fund's investment strategy and may vary in the future. Current and future portfolio holdings are subject to risk. Statements in the Q&A concerning the fund's performance or portfolio composition relative to those of the fund's Lipper peer group may reference information produced by Lipper Inc. or through a third party.

ABOUT DERIVATIVES

Derivatives are an increasingly common type of investment instrument, the performance of which is *derived* from an underlying security, index, currency, or other area of the capital markets. Derivatives employed by the fund's managers generally serve one of two main purposes: to implement a strategy that may be difficult or more expensive to invest in through traditional securities, or to hedge unwanted risk associated with a particular position.

For example, the fund's managers might use currency forward contracts to capitalize on an anticipated change in exchange rates between two currencies. This approach would require a significantly smaller outlay of capital than purchasing traditional bonds denominated in the underlying currencies. In another example, the managers may identify a bond that they believe is undervalued relative to its risk of default, but may seek to reduce the interest-rate risk of that bond by using interest-rate swaps, a derivative through which two parties "swap" payments based on the movement of certain rates.

Like any other investment, derivatives may not appreciate in value and may lose money. Derivatives may amplify traditional investment risks through the creation of leverage and may be less liquid than traditional securities. And because derivatives typically represent contractual agreements between two financial institutions, derivatives entail "counterparty risk," which is the risk that the other party is unable or unwilling to pay. Putnam monitors the counterparty risks we assume. For example, Putnam often enters into collateral agreements that require the counterparties to post collateral on a regular basis to cover their obligations to the fund. Counterparty risk for exchange-traded futures and centrally cleared swaps is mitigated by the daily exchange of margin and other safeguards against default through their respective clearinghouses.

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HOW CLOSED-END FUNDS DIFFER FROM OPEN-END FUNDS

Closed-end funds and open-end funds share many common characteristics but also have some key differences that you should understand as you consider your portfolio strategies.

More assets at work Open-end funds are subject to ongoing sales and redemptions that can generate transaction costs for long-term shareholders. Closed-end funds, however, are typically fixed pools of capital that do not need to hold cash in connection with sales and redemptions, allowing the funds to keep more assets actively invested.

Traded like stocks Closed-end fund shares are traded on stock exchanges and, as a result, their prices fluctuate because of the influence of several factors.

They have a market price Like an open-end fund, a closed-end fund has a per-share net asset value (NAV). However, closed-end funds also have a "market price" for their shares — which is how much you pay when you buy shares of the fund, and how much you receive when you sell them.

When looking at a closed-end fund's performance, you will usually see that the NAV and the market price differ. The market price can be influenced by several factors that cause it to vary from the NAV, including fund distributions, changes in supply and demand for the fund's shares, changing market conditions, and investor perceptions of the fund or its investment manager. A fund's performance at market price typically differs from its results at NAV.

Your fund's performance

This section shows your fund's performance, price, and distribution information for periods ended January 31, 2018, the end of the first half of its current fiscal year. In accordance with regulatory requirements for mutual funds, we also include performance information as of the most recent calendar quarter-end. Performance should always be considered in light of a fund's investment strategy. Data represent past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return, net asset value, and market price will fluctuate, and you may have a gain or a loss when you sell your shares.

Fund performance Total return for periods ended 1/31/18

		10 years		3 years		6 months			
			Annual average		Annual average				
NAV	6.80%	71.81%	5.56%	24.39%	4.46%	17.08%	5.40%	7.30%	4.69%
Market price	6.75	81.98	6.17	26.20	4.76	21.55	6.72	4.59	-0.67

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

Performance includes the deduction of management fees and administrative expenses.

Comparative index returns For periods ended 1/31/18

		10 years		3 years		6 months			
			Annual average		Annual average				
ICE BofAML U.S. Treasury Bill Index	*	4.29%	0.42%	1.53%	0.30%	1.37%	0.45%	0.87%	0.54%
Bloomberg Barclays Government Bond Index	5.81%	32.44	2.85	5.93	1.16	0.36	0.12	0.70	-1.07
Lipper General Bond Funds (closed-end) category average†	7.44	131.49	8.18	37.49	6.40	23.13	7.06	9.15	2.97

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

* The fund's primary benchmark (ICE BofAML U.S. Treasury Bill Index) was introduced on 6/30/92, which post-dates the inception of the fund's class A shares.

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Effective January 30, 2018, the ICE BofAML U.S. Treasury Bill Index replaced the Bloomberg Barclays Government Bond Index as the fund's primary benchmark. In Putnam Management's opinion, the new index is more appropriate to the fund's flexible multisector investment approach.

†Over the 6-month, 1-year, 3-year, 5-year, 10-year, and life-of-fund periods ended 1/31/18, there were 39, 35, 29, 24, 18, and 3 funds, respectively, in this Lipper category.

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Fund price and distribution information For the six-month period ended 1/31/18

Distributions			
Number		6	
Income		\$0.156	
Capital gains		—	
Total		\$0.156	
Share value		NAV	Market price
7/31/17		\$5.56	\$5.39
1/31/18		5.66	5.20
Current dividend rate*		5.51%	6.00%

The classification of distributions, if any, is an estimate. Final distribution information will appear on your year-end tax forms.

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

Fund performance as of most recent calendar quarter Total return for periods ended 12/31/17

		10 years		3 years		6 months			
			Annual average		Annual average				
NAV	6.75%	65.38%	5.16%	24.69%	4.51%	12.09%	3.88%	7.33%	3.59%
Market price	6.84	89.89	6.62	31.44	5.62	21.98	6.85	13.66	1.04

See the discussion following the fund performance table on page 11 for information about the calculation of fund performance.

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Terms and definitions

Important terms

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

Net asset value (NAV) is the value of all your fund's assets, minus any liabilities, 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 New York Stock Exchange.

Fixed-income terms

Current rate is the annual rate of return earned from dividends or interest of an investment. Current rate is expressed as a percentage of the price of a security, fund share, or principal investment.

Mortgage-backed security (MBS), also known as a mortgage "pass-through," is a type of asset-backed security that is secured by a mortgage or collection of mortgages. The following are types of MBSs:

- **Agency credit-risk transfer security (CRT)**s backed by a reference pool of agency mortgages. Unlike a regular agency pass-through, the principal invested in a CRT is not backed by a U.S. government agency. To compensate investors for this risk, a CRT typically offers a higher yield than conventional pass-through securities. Similar to a CMBS, a CRT is structured into various tranches for investors, offering different levels of risk and yield based on the underlying reference pool.
- **Agency "pass-through"**s its principal and interest backed by a U.S. government agency, such as the Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac).
- **Collateralized mortgage obligation (CMO)** represents claims to specific cash flows from pools of home mortgages. The streams of principal and interest payments on the mortgages are distributed to the different classes of CMO interests in "tranches." Each tranche may have different principal balances, coupon rates, prepayment risks, and maturity dates. A CMO is highly sensitive to changes in interest rates and any resulting change in the rate at which homeowners sell their properties, refinance, or otherwise prepay loans. CMOs are subject to prepayment, market, and liquidity risks.
- **Interest-only (IO) security** is a type of CMO in which the underlying asset is the interest portion of mortgage, Treasury, or bond payments.
- **Non-agency residential mortgage-backed security (RMBS)** is an MBS not backed by Fannie Mae, Ginnie Mae, or Freddie Mac. One type of RMBS is an Alt-A mortgage-backed security.
- **Commercial mortgage-backed security (CMBS)** is secured by the loan on a commercial property.

Yield curve is a graph that plots the yields of bonds with equal credit quality against their differing maturity dates, ranging from shortest to longest. It is used as a benchmark for other debt, such as mortgage or bank lending rates.

Comparative indexes

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

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

ICE BofAML U.S. Treasury Bill Index is an unmanaged index that tracks the performance of U.S. dollar-denominated U.S. Treasury bills publicly issued in the U.S. domestic market. Qualifying securities must have a remaining term of at least one month to final maturity and a minimum amount outstanding of \$1 billion.

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

ICE Data Indices, LLC (“ICE BofAML”), used with permission. ICE BofAML permits use of the ICE BofAML indices and related data on an “as is” basis; makes no warranties regarding same; does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the ICE BofAML indices or any data included in, related to, or derived therefrom; assumes no liability in connection with the use of the foregoing; and does not sponsor, endorse, or recommend Putnam Investments, or any of its products or services.

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

Lipper is a third-party industry-ranking entity that ranks mutual funds. Its rankings do not reflect sales charges. Lipper rankings are based on total return at net asset value relative to other funds that have similar current investment styles or objectives as determined by Lipper. Lipper may change a fund’s category assignment at its discretion. Lipper category averages reflect performance trends for funds within a category.

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Other information for shareholders

Important notice regarding share repurchase program

In September 2017, the Trustees of your fund approved the renewal of a share repurchase program that had been in effect since 2005. This renewal allows your fund to repurchase, in the 12 months beginning October 8, 2017, up to 10% of the fund’s common shares outstanding as of October 7, 2017.

Important notice regarding delivery of shareholder documents

In accordance with Securities and Exchange Commission (SEC) regulations, Putnam sends a single copy of annual and semiannual shareholder reports, prospectuses, and proxy statements to Putnam shareholders who share the same address, unless a shareholder requests otherwise. If you prefer to receive your own copy of these documents, please call Putnam at 1-800-225-1581, and Putnam will begin sending individual copies within 30 days.

Proxy voting

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds’ proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2017, are available in the Individual Investors section of putnam.com, and on the SEC’s website, www.sec.gov. If you have questions about finding forms on the SEC’s website, you may call the SEC at 1-800-SEC-0330. You may also obtain the Putnam funds’ proxy voting guidelines and procedures at no charge by calling Putnam’s Shareholder Services at 1-800-225-1581.

Fund portfolio holdings

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 Form N-Q on the SEC’s website at www.sec.gov. In addition, the fund’s Form 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 website or the operation of the Public Reference Room.

Trustee and employee fund ownership

Putnam employees and members of the Board of Trustees place their faith, confidence, and, most importantly, investment dollars in Putnam mutual funds. As of January 31, 2018, Putnam employees had approximately \$537,000,000 and the Trustees had approximately \$83,000,000 invested in Putnam mutual funds. These amounts include investments by the Trustees' and employees' immediate family members as well as investments through retirement and deferred compensation plans.

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Summary of Putnam Closed-End Funds' Amended and Restated Dividend Reinvestment Plans

Putnam High Income Securities Fund, Putnam Managed Municipal Income Trust, Putnam Master Intermediate Income Trust, Putnam Municipal Opportunities Trust and Putnam Premier Income Trust (each, a "Fund" and collectively, the "Funds") each offer **dividend reinvestment plan** (each, a "Plan" and collectively, the "Plans"). If you participate in a Plan, all income dividends and capital gain distributions are **automatically reinvested** in Fund shares by the Fund's agent, Putnam Investor Services, Inc. (the "Agent"). If you are not participating in a Plan, every month you will receive all dividends and other distributions in cash, paid by check and mailed directly to you.

Upon a purchase (or, where applicable, upon registration of transfer on the shareholder records of a Fund) of shares of a Fund by a registered shareholder, each such shareholder **will be deemed to have elected to participate** in that Fund's Plan. Each such shareholder will have all distributions by a Fund automatically reinvested in additional shares, unless such shareholder elects to terminate participation in a Plan by instructing the Agent to pay future distributions in cash. Shareholders who were not participants in a Plan as of January 31, 2010, will continue to receive distributions in cash but may enroll in a Plan at any time by contacting the Agent.

If you participate in a Fund's Plan, the Agent will automatically reinvest subsequent distributions, and the Agent will send you a confirmation in the mail telling you how many additional shares were issued to your account.

To change your enrollment status or to request additional information about the Plans, you may contact the Agent either in writing, at P.O. Box 8383, Boston, MA 02266-8383, or by telephone at 1-800-225-1581 during normal East Coast business hours.

How you acquire additional shares through a Plan If the market price per share for your Fund's shares (plus estimated brokerage commissions) is greater than or equal to their net asset value per share on the payment date for a distribution, you will be issued shares of the Fund at a value equal to the higher of the net asset value per share on that date or 95% of the market price per share on that date.

If the market price per share for your Fund's shares (plus estimated brokerage commissions) is less than their net asset value per share on the payment date for a distribution, the Agent will buy Fund shares for participating accounts in the open market. The Agent will aggregate open-market purchases on behalf of all participants, and the average price (including brokerage commissions) of all shares purchased by the Agent will be the price per share allocable to each participant. The Agent will generally complete these open-market purchases within five business days following the payment date. If, before the Agent has completed open-market purchases, the market price per share (plus estimated brokerage commissions) rises to exceed the net asset value per share on the payment date, then the purchase price may exceed the net asset value per share, potentially resulting in the acquisition of fewer shares than if the distribution had been paid in newly issued shares.

How to withdraw from a Plan Participants may withdraw from a Fund's Plan at any time by notifying the Agent, either in writing or by telephone. Such withdrawal will be effective immediately if notice is received by the Agent with sufficient time prior to any distribution record date; otherwise, such withdrawal will be effective with respect to any subsequent distribution following notice of withdrawal. There is no penalty for withdrawing from or not participating in a Plan.

Plan administration The Agent will credit all shares acquired for a participant under a Plan to the account in which the participant's common shares are held. Each participant will

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be sent reasonably promptly a confirmation by the Agent of each acquisition made for his or her account.

About brokerage fees Each participant pays a proportionate share of any brokerage commissions incurred if the Agent purchases additional shares on the open market, in accordance with the Plans. There are no brokerage charges applied to shares issued directly by the Funds under the Plans.

About taxes and Plan amendments Reinvesting dividend and capital gain distributions in shares of the Funds does not relieve you of tax obligations, which are the same as if you had received cash distributions. The Agent supplies tax information to you and to the IRS annually. Each Fund reserves the right to amend or terminate its Plan upon 30 days' written notice. However, the Agent may assign its rights, and delegate its duties, to a successor agent with the prior consent of a Fund and without prior notice to Plan participants.

If your shares are held in a broker or nominee name If your shares are held in the name of a broker or nominee offering a dividend reinvestment service, consult your broker or nominee to ensure that an appropriate election is made on your behalf. If the broker or nominee holding your shares does not provide a reinvestment service, you may need to register your shares in your own name in order to participate in a Plan.

In the case of record shareholders such as banks, brokers or nominees that hold shares for others who are the beneficial owners of such shares, the Agent will administer the Plan on the basis of the number of shares certified by the record shareholder as representing the total amount registered in such shareholder's name and held for the account of beneficial owners who are to participate in the Plan.

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Financial statements

These sections of the report, as well as the accompanying Notes, 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 non-investment 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. (For funds with preferred shares, the amount subtracted from total assets includes the liquidation preference of 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

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added to or subtracted from the net investment result to determine the fund's net gain or loss for the fiscal period.

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. Dividend sources are estimated at the time of declaration. Actual results may vary. Any non-taxable return of capital cannot be determined until final tax calculations are completed after the end of the fund's fiscal year.

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 highlights table also includes the current reporting period.

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The fund's portfolio 1/31/18 (Unaudited)

U.S. GOVERNMENT AND AGENCY MORTGAGE OBLIGATIONS (54.8%)*	Principal amount	Value
U.S. Government Guaranteed Mortgage Obligations (4.5%)		
Government National Mortgage Association Pass-Through Certificates		
4.50%, TBA, 2/1/48	\$17,000,000	\$17,762,345
4.00%, TBA, 2/1/48	9,000,000	9,312,188
		27,074,533
U.S. Government Agency Mortgage Obligations (50.3%)		
Federal Home Loan Mortgage Corporation Pass-Through Certificates		
3.00%, 3/1/30 i	17,979	18,122
Federal National Mortgage Association Pass-Through Certificates		
5.50%, TBA, 3/1/48	5,000,000	5,430,078
5.50%, TBA, 2/1/48	5,000,000	5,434,375
4.50%, TBA, 1/1/48	2,000,000	2,110,078
4.00%, TBA, 3/1/48	14,000,000	14,435,715
4.00%, TBA, 2/1/48	14,000,000	14,460,324
3.50%, TBA, 3/1/48	101,000,000	101,772,256
3.50%, TBA, 2/1/48	101,000,000	101,945,855
3.00%, TBA, 2/1/48	60,000,000	58,809,372
		304,416,175
Total U.S. government and agency mortgage obligations (cost \$333,477,654)		\$331,490,708

U.S. TREASURY OBLIGATIONS (—%)*	Principal amount	Value
U.S. Treasury Notes 2.125%, 8/31/20 i	\$189,000	\$190,108
Total U.S. treasury obligations (cost \$190,108)		\$190,108

Principal

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MORTGAGE-BACKED SECURITIES (43.7%)*	amount	Value
Agency collateralized mortgage obligations (20.7%)		
Federal Home Loan Mortgage Corporation		
IFB Ser. 3408, Class EK (-4.024 x 1 Month US LIBOR) + 25.79%, 19.518%, 4/15/37	\$85,666	\$120,743
IFB Ser. 3072, Class SM (-3.667 x 1 Month US LIBOR) + 23.80%, 18.079%, 11/15/35	178,340	238,270
IFB Ser. 3852, Class SC, IO (-1 x 1 Month US LIBOR) + 6.65%, 5.091%, 4/15/40	5,741,520	733,440
Ser. 4077, Class IK, IO, 5.00%, 7/15/42	5,772,430	1,211,570
IFB Ser. 4678, Class MS, IO (-1 x 1 Month US LIBOR) + 6.10%, 4.541%, 4/15/47	2,654,339	542,149
Ser. 4122, Class TI, IO, 4.50%, 10/15/42	2,777,100	597,077
Ser. 4000, Class PI, IO, 4.50%, 1/15/42	1,551,949	302,630
Ser. 4024, Class PI, IO, 4.50%, 12/15/41	2,563,304	487,338
Ser. 4546, Class TI, IO, 4.00%, 12/15/45	5,209,860	970,336
Ser. 4425, IO, 4.00%, 1/15/45	6,661,721	1,161,138
Ser. 4452, Class QI, IO, 4.00%, 11/15/44	5,395,222	1,375,782
Ser. 4193, Class PI, IO, 4.00%, 3/15/43	4,379,416	682,755
Ser. 4062, Class DI, IO, 4.00%, 9/15/39	5,647,584	544,075
Ser. 4604, Class QI, IO, 3.50%, 7/15/46	13,732,165	2,200,854
Ser. 4580, Class ID, IO, 3.50%, 8/15/45	8,757,521	1,631,088
Ser. 4560, Class PI, IO, 3.50%, 5/15/45	3,284,103	554,948

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MORTGAGE-BACKED SECURITIES (43.7%)* cont.	Principal amount	Value
Agency collateralized mortgage obligations cont.		
Federal Home Loan Mortgage Corporation		
Ser. 4501, Class BI, IO, 3.50%, 10/15/43	\$6,099,712	\$949,786
Ser. 4105, Class HI, IO, 3.50%, 7/15/41	2,457,040	266,791
Ser. 304, Class C37, IO, 3.50%, 12/15/27	2,657,673	236,615
Ser. 4165, Class TI, IO, 3.00%, 12/15/42	10,559,021	1,069,101
Ser. 4183, Class MI, IO, 3.00%, 2/15/42	4,852,239	442,524
Ser. 4210, Class PI, IO, 3.00%, 12/15/41	2,917,615	195,765
Ser. 4510, Class HI, IO, 3.00%, 3/15/40	8,174,802	786,571
FRB Ser. 57, Class 1AX, IO, 0.366%, 7/25/43 W	2,892,843	31,246
Ser. 3326, Class WF, zero %, 10/15/35 W	2,204	1,585