

PUTNAM PREMIER INCOME TRUST
Form N-CSR
September 28, 2006

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: Beth S. Mazor, Vice President
One Post Office Square
Boston, Massachusetts 02109

Copy to: John W. Gerstmayr, Esq.
Ropes & Gray LLP
One International Place
Boston, Massachusetts 02110

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

Date of fiscal year end: July 31, 2006

Date of reporting period: August 1, 2005 - July 31, 2006

Item 1. Report to Stockholders:

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

What makes Putnam different?

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

THE PRUDENT MAN RULE

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

A time-honored tradition in money management

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

A prudent approach to investing

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

Funds for every investment goal

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

A commitment to doing what's right for investors

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

Industry-leading service

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

Putnam Premier Income Trust

7|31|06

Annual Report

Message from the Trustees
About the fund

2
4

Report from the fund managers	7
Performance	13
Your fund's management	16
Terms and definitions	19
Trustee approval of management contract	20
Other information for shareholders	25
Financial statements	27
Federal tax information	81
Compliance certifications	82
Shareholder meeting results	83
About the Trustees	84
Officers	90

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Message from the Trustees

Dear Fellow Shareholder

Over the last three months of your fund's reporting period, investors were particularly preoccupied with the course of the economy. Beginning in May, a more pessimistic outlook pervaded the markets as leading economic indicators began to warn of slower growth and the Federal Reserve (the Fed) continued its series of interest-rate increases. The resulting correction undercut much of the progress that markets had achieved in the previous three months of the period.

However, we believe that today's higher interest rates, far from being a threat to global economic fundamentals, are in fact an integral part of them. Economic growth may, indeed, be slowing somewhat as a result of the higher rates, but we consider this a typical development for the middle of an economic cycle, and one that could help provide the basis for a longer and more durable business expansion and a continued healthy investment environment. The recent correction brought valuations back to attractive levels, creating opportunities in a wide array of markets and sectors. Furthermore, since the Fed paused in its tightening cycle shortly after the close of the reporting period, the market atmosphere has gradually become more optimistic. Putnam Investments' management team, under the leadership of Chief Executive Officer Ed Haldeman, continues to focus on investment performance, and the investment professionals managing your fund have been working to take advantage of the opportunities presented by this environment.

2

We would like to take this opportunity to announce the retirement of one of your fund's Trustees, John Mullin, an independent Trustee of the Putnam funds since 1997. We thank him for his service.

In the following pages, members of your fund's management team discuss the fund's performance and strategies for the fiscal period ended July 31, 2006, and provide their outlook for the months ahead. As always, we thank you for your support of the Putnam funds.

Putnam Premier Income Trust: seeking broad diversification across global bond markets

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. Lower-rated, higher-yielding corporate bonds were relatively new, having just been established in the late 1970s. And, at the time of the fund's launch, few investors were venturing outside the United States for fixed-income opportunities.

The bond investment landscape has undergone a transformation in the nearly two decades since. New sectors such as mortgage- and asset-backed securities now make up over one third of the U.S. investment-grade market. The high-yield corporate bond sector has also grown significantly. Outside the United States, the advent of the euro has resulted in a large market of European bonds. And there are also growing opportunities to invest in the debt of emerging-market countries.

The fund's original investment focus has been enhanced to keep pace with this market expansion. To process the market's increasing complexity, Putnam's 100-member fixed-income group aligns teams of specialists with the varied investment opportunities. Each team identifies what it considers to be compelling strategies within its area of expertise. Your fund's management team selects from among these strategies, systematically building a diversified portfolio that seeks to carefully balance risk and return.

We believe the fund's multi-strategy approach is well suited to the expanding opportunities of today's global bond marketplace. As different factors drive the performance of the various fixed-income

Optimizing the risk/return trade-off across multiple sectors

Putnam believes that building a diversified portfolio with multiple income-generating strategies is the best way to pursue your fund's objectives. The fund's portfolio is composed of a broad spectrum of government, credit, and securitized debt instruments.

sectors, the fund's diversified strategy can take advantage of changing market leadership in pursuit of high current income.

International investing involves certain risks, such as currency fluctuations, economic instability, and political developments. Additional risks may be associated with emerging-market securities, including illiquidity and volatility. 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. 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. While diversification can help protect returns from excessive volatility, it cannot ensure protection against a market loss.

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

More assets at work While open-end funds must maintain a cash position to meet redemptions, closed-end funds are not subject to redemptions and can keep more of their assets invested in the market.

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

Market price vs. net asset value Like an open-end fund's net asset value (NAV) per share, the NAV of a closed-end fund share is equal to the current value of the fund's assets, minus its liabilities, divided by the number of shares outstanding. However, when buying or selling closed-end fund shares, the price you pay or receive is the market price. Market price reflects current market supply and demand and may be higher or lower than the NAV.

Putnam Premier Income Trust seeks high current income by investing in U.S. government and agency, high-yield corporate, and international fixed-income securities. Fund holding and sector classifications reflect the diversification of the fixed-income market. The fund is designed for investors seeking a higher level of income who can accept a moderately higher level of risk.

Highlights

For the 12 months ended July 31, 2006, Putnam Premier Income Trust had a total return at net asset value (NAV) of 3.94% . The fund's return at market price was 1.14% .

The fund's primary benchmark, the Lehman Government Bond Index, returned 1.24% for the period.

The average return of the fund's Lipper category, Flexible Income Funds (closed-end), was 2.73% .

Additional fund performance, comparative performance, and Lipper data can be found in the performance section beginning on page 13.

Performance

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

Total return for periods ended 7/31/06

Since the fund's inception (2/29/88), average annual return is 8.19% at NAV and 6.87% at market price.

	Average annual return		Cumulative return	
	NAV	Market price	NAV	Market price
10 years	6.62%	6.54%	89.89%	88.35%
5 years	8.84	6.82	52.74	39.11

3 years	8.58	5.50	28.02	17.44
1 year	3.94	1.14	3.94	1.14

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

6

Report from the fund managers

The year in review

The 12-month period ended July 31, 2006, was challenging but modestly positive for fixed-income investments, though signs of stronger inflationary pressures became increasingly evident as the period drew to a close. Short-term interest rates continued their rise as the Fed pursued its two-year program of tightening the federal funds rate, and longer-term rates increased in reaction to strong global growth as well as some anticipated inflation risks. At the same time, continued investor demand for higher yields helped drive up prices of high-yield and emerging-market bonds. Because your fund invests in a variety of fixed-income sources, its results at NAV were well ahead of the returns of its all-bond benchmark index. The fund's results at NAV also outpaced the average return for its Lipper category. Securitized bonds, discussed in more detail later in this report, were the primary driver of this strong performance.

Because the U.S. dollar strengthened over the period, the fund's modest positions in non-dollar-denominated securities slightly impaired returns, as small gains on such investments turned into losses when translated into U.S. dollars. However, we partly hedged the fund's foreign-exchange exposure, which helped to mitigate these adverse effects.

Market overview

Bond yields in the United States, as well as overseas, rose throughout the period, responding to continued global growth and monetary policy tightening. Because yields of fixed-income instruments move in the opposite direction of their prices, this trend led to lower prices for most government bonds. However, strong demand for yield, worldwide economic expansion, and robust demand for commodities led to favorable performance within other sectors of the

7

fixed-income market, such as high-yield and emerging-market bonds.

In the United States, the Fed continued to raise short-term interest rates in an effort to head off a higher level of price inflation without undermining economic growth. The Federal Open Market Committee met eight times

during the course of the fund's fiscal year, and raised short-term rates by a quarter of a percentage point at each meeting. As of July 31, 2006, the federal funds rate — the overnight lending rate that banks charge each other, which guides other short-term rates — stood at 5.25% . Longer-term Treasury rates also rose for the period, but by much less, as foreign purchasing continued to prop up Treasury security prices. (Note that given the inverted relationship of bond yields and prices, this also lowered yields for these securities.)

Since mid-2004, the Fed has led the global effort to cool excessive economic growth that might lead to a resurgence in inflation. Foreign central banks now seem to be leading the charge in battling inflationary pressures. Following the close of the period, the Fed declined to increase short-term rates at its August 8 meeting, explaining that it believed that inflation would moderate as U.S. growth slowed. In contrast, foreign central banks worldwide have recently enacted a series of short-term rate increases that have maintained upward pressure on global interest rates.

Market sector performance

These indexes provide an overview of performance in different market sectors for the 12 months ended 7/31/06.

Bonds

Lehman Government Bond Index (U.S. Treasury and agency securities)	1.24%
Citigroup Non-U.S. World Government Bond Index (international government bonds)	1.56%
JP Morgan Global High Yield Index (global high-yield corporate bonds)	4.64%
JP Morgan Global Diversified Emerging Markets Index (global emerging-market bonds)	7.94%

Equities

S&P 500 Index (broad stock market)	5.38%
MSCI EAFE Index (international stocks)	24.01%
Russell 2000 Index (small-company stocks)	4.24%

Strategy overview

Your fund's managers believe that using multiple income-generating strategies to build a diversified portfolio is the best way to pursue the fund's objective. The fund's portfolio includes a broad spectrum of government, credit, and securitized debt instruments. The fund's investment process involves aligning teams of specialists with these varied investment opportunities. Each team identifies what it considers to be the most compelling strategies within its area of expertise. The fund's management team then draws from these strategies, systematically building an array of investments that seeks to carefully balance risk and return.

During the period, we continued to maintain a conservative posture regarding both duration — a measure of interest-rate sensitivity — and credit risk. Despite the Fed's recent pause, the global trend in monetary policy is toward tightening, or higher rates. Therefore, we have kept the fund's duration short in order to lessen the

portfolio's vulnerability to the negative impact of rising rates. With regard to credit risk, despite our expectation of continued global economic growth, we believe that the yield advantages offered by bonds from non-government entities (in particular, investment-grade corporate issuers) over those of government securities are typically too small to compensate investors adequately for the additional risk the bonds carry.

Comparison of top sector weightings

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.

9

For defensive purposes, we continued to maintain a higher level of credit quality than we have in past years by keeping the fund's exposure to high-yield bonds relatively low and maintaining significant exposure to structured/securitized instruments with short maturities. Substantial positions in international holdings, especially emerging-market debt, further diversified the fund's sources of return.

Your fund's holdings

During the fund's most recent fiscal year, the fund's position in **securitized bonds**, or **structured securities**, contributed positively to returns. These securities currently offer higher income than corporate bonds of comparable credit quality. They also offer short maturities, which provides us with the flexibility to shift to other fixed-income securities, should interest rates rise sharply. The most common types of securitized bonds are **mortgage-backed securities (MBSs)** issued by the **Federal National Mortgage Association (Fannie Mae)** and the **Government National Mortgage Association (Ginnie Mae)**. Other types of securitized bonds include **asset-backed securities (ABSs)**, which are typically backed by car loans and credit card payments, and **commercial mortgage-backed securities (CMBSs)**, which are backed by loans on large commercial real estate projects, such as office parks or shopping malls.

Top holdings

This table shows the fund's top holdings, and the percentage of the fund's net assets that each comprised, as of 7/31/06. The fund's holdings will change over time.

Holding (percent of fund's net assets)	Coupon (%) and maturity date
Securitized sector	
Federal National Mortgage Association 30 Yr Conventional (4.3%)	5.5%, 2036
Federal National Mortgage Association 15 Yr Conventional (3.2%)	5%, 2021
First Franklin Mortgage Loan Asset Backed Certificates (1.0%)	5.685%, 2034
Credit sector	
Gazprom OAO 144A notes (0.3%)	9.625%, 2013
L-3 Communications Corp. (0.3%)	6.125%, 2013

Echostar DBS Corp. (0.3%)	6.625%, 2014
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Government sector

Japan (Government of) bonds (5.0%)	0.2%, 2007
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U.S. Treasury bonds (4.1%)	6.25%, 2030
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U.S. Treasury bonds (2.5%)	7.50%, 2016
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10

As the period began, the fund favored **European government bonds** over U.S. Treasury bonds, a decision that proved helpful to performance. European bonds benefited from the Fed's series of interest-rate increases and the European Central Bank's increasingly aggressive stance against inflation. However, in mid-July, the Japanese central bank ended its five-year zero interest-rate policy with an increase in short-term interest rates. In our judgment, this signaled the emergence of the Japanese economy from its prolonged restructuring. Consequently, we shifted much of the fund's international bond exposure from European to **Japanese positions**.

Lastly, the fund's higher level of exposure to **high-yield** and **emerging-market bonds** than that of its benchmark index contributed significantly to relative performance. (It should be noted that for defensive reasons we have actually kept the fund's allocations in these credit sectors at much lower absolute levels than in past years.) Emerging-market bonds posted solid returns, as issuing countries benefited from higher commodities prices and the execution of economic policies that have evolved significantly beyond those of the 1970s and 1980s. The fund's positions in **Argentina** and **Brazil** performed extremely well; in Argentina, government revenues rose sharply in response to a sustained economic rebound, and Brazilian bonds benefited from the country's tight fiscal and monetary policy. However, holdings in **Mexico** detracted from performance, since Mexico's bonds lagged due to investor uncertainty in the run-up to the presidential election. The fund no longer holds these bonds.

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.

11

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.

Though the U.S. economy could continue to slow in the months ahead, we believe that accelerating growth in Europe and Japan will take up the slack. Although the Fed paused from its credit tightening program in early August, it remains to be seen whether inflationary pressures will force the Fed to resume raising rates later in 2006. However, we do expect foreign central banks to continue to tighten credit overseas in the coming months. This shift in "inflation-fighting" leadership and global growth dynamics means that central bank behavior is likely to be less predictable over the next 12 months. This, coupled with an upward drift in interest rates, could represent a significant challenge to asset markets in general. In addition, because of the risk that Japanese investors will increasingly prefer to invest domestically (and drain capital from markets outside Japan), we remain concerned about the potential for a sudden widening of credit spreads. Therefore, we are continuing to position the fund

defensively with regard to both duration and credit. As part of this defensive posture, we are maintaining an emphasis on structured securities, which tend to have shorter maturities and are of higher quality.

As part of positioning a shorter-duration portfolio, we have decreased our allocation to long-maturity bonds somewhat, in part because demand for these securities from pension funds has slackened. In addition, the fund continues to have relatively light exposure to intermediate-maturity bonds. Going forward, we will remain vigilant regarding any possible disruptions to the global economy and fixed-income markets, and continue our efforts to keep the fund positioned defensively while diversifying the portfolio across a broad range of fixed-income sectors and securities.

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. Additional risks may be associated with emerging-market securities, including illiquidity and volatility. 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.

12

Your fund's performance

This section shows your fund's performance for periods ended July 31, 2006, the end of its fiscal year. In accordance with regulatory requirements for mutual funds, we also include performance as of the most recent calendar quarter-end. Performance should always be considered in light of a fund's investment strategy. Data represents past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return, net asset value, and market price will fluctuate, and you may have a gain or a loss when you sell your shares.

Fund performance

Total return for periods ended 7/31/06

	NAV	Market price
Annual average		
Life of fund (since 2/29/88)	8.19%	6.87%
10 years	89.89	88.35
Annual average	6.62	6.54
5 years	52.74	39.11
Annual average	8.84	6.82
3 years	28.02	17.44
Annual average	8.58	5.50
1 year	3.94	1.14

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

13

Comparative index returns

For periods ended 7/31/06

	Lehman Government Bond Index	Citigroup Non-U.S. World Government Bond Index	JP Morgan Global High Yield Index	Lipper Flexible Income Funds (closed-end) category average
Annual average Life of fund (since 2/29/88)	7.14%	6.80%	□*	7.27%
10 years	81.38	58.79	95.88%	76.38
Annual average	6.14	4.73	6.95	5.73
5 years	24.48	55.32	55.98	45.89
Annual average	4.48	9.21	9.30	7.61
3 years	9.76	19.82	31.46	25.13
Annual average	3.15	6.21	9.55	7.69
1 year	1.24	1.56	4.64	2.73

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

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

□ Over the 1-, 3-, 5-, and 10-year periods ended 7/31/06, there were 7 funds in this Lipper category.

Fund price and distribution information

For the 12-month period ended 7/31/06

Distributions

Number	12
Income	\$0.360

Capital gains □

Total	\$0.360	
Share value:	NAV	Market price
7/31/05	\$7.16	\$6.31
7/31/06	7.02	6.02
Current yield (end of period)		
Current dividend rate ¹	5.13%	5.98%

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

14

Fund performance for most recent calendar quarter

Total return for periods ended 6/30/06

	NAV	Market price
Annual average		
Life of fund (since 2/29/88)	8.16%	6.86%
10 years	89.19	82.29
Annual average	6.58	6.19
5 years	52.67	38.51
Annual average	8.83	6.73
3 years	24.33	11.73
Annual average	7.53	3.77
1 year	3.03	□1.40

15

Your fund's management

Your fund is managed by the members of the Putnam Core Fixed-Income and Core Fixed-Income High Yield teams. D. William Kohli is the Portfolio Leader, and Rob Bloemker, Jeffrey Kaufman, Paul Scanlon, and David Waldman are

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Portfolio Members of your fund. The Portfolio Leader and Portfolio Members coordinate the teams' management of the fund.

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

Investment team fund ownership

The table below shows how much the fund's current Portfolio Leader and Portfolio Members have invested in the fund and in all Putnam mutual funds (in dollar ranges). Information shown is as of July 31, 2006, and July 31, 2005.

Trustee and Putnam employee fund ownership

As of July 31, 2006, all of the Trustees on the Board of the Putnam funds owned fund shares. The table below shows the approximate value of investments in the fund and all Putnam funds as of that date by the Trustees and Putnam employees. These amounts include investments by the Trustees' and employees' immediate family members and investments through retirement and deferred compensation plans.

	Assets in the fund	Total assets in all Putnam funds
Trustees	\$59,000	\$ 87,000,000
Putnam employees	\$14,000	\$409,000,000

16

Fund manager compensation

The total 2005 fund manager compensation that is attributable to your fund is approximately \$1,800,000. This amount includes a portion of 2005 compensation paid by Putnam Management to the fund managers listed in this section for their portfolio management responsibilities, calculated based on the fund assets they manage taken as a percentage of the total assets they manage. The compensation amount also includes a portion of the 2005 compensation paid to the Chief Investment Officer of the team and the Group Chief Investment Officer of the fund's broader investment category for their oversight responsibilities, calculated based on the fund assets they oversee taken as a percentage of the total assets they oversee. This amount does not include compensation of other personnel involved in research, trading, administration, systems, compliance, or fund operations; nor does it include non-compensation costs. These percentages are determined as of the fund's fiscal period-end. For personnel who joined Putnam Management during or after 2005, the calculation reflects annualized 2005 compensation or an estimate of 2006 compensation, as applicable.

Other Putnam funds managed by the Portfolio Leader and Portfolio Members

D. William Kohli is also a Portfolio Leader of Putnam Diversified Income Trust and Putnam Master Intermediate Income Trust, and a Portfolio Member of Putnam Global Income Trust.

Rob Bloemker is also a Portfolio Member of Putnam American Government Income Fund, Putnam Diversified Income Trust, Putnam Income Fund, Putnam Limited Duration Government Income Fund, Putnam Master Intermediate Income Trust, and Putnam U.S. Government Income Trust.

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Jeffrey Kaufman is also a Portfolio Member of Putnam Diversified Income Trust and Putnam Master Intermediate Income Trust.

Paul Scanlon is also a Portfolio Leader of Putnam Floating Rate Income Fund, Putnam High Yield Advantage Fund, Putnam High Yield Trust, and Putnam Managed High Yield Trust, and a Portfolio Member of Putnam Diversified Income Trust and Putnam Master Intermediate Income Trust.

David Waldman is also a Portfolio Member of Putnam Diversified Income Trust and Putnam Master Intermediate Income Trust.

D. William Kohli, Rob Bloemker, Jeffrey Kaufman, Paul Scanlon, and David Waldman may also manage other accounts and variable trust funds advised by Putnam Management or an affiliate.

Changes in your fund's Portfolio Leader and Portfolio Members

Your fund's Portfolio Leader and Portfolio Members did not change during the year ended July 31, 2006.

17

Putnam fund ownership by Putnam's Executive Board

The table below shows how much the members of Putnam's Executive Board have invested in all Putnam mutual funds (in dollar ranges). Information shown is as of July 31, 2006, and July 31, 2005.

	Year	\$1	\$10,001	\$50,001	\$100,001	\$500,001	\$1,000,001
		\$0	\$10,000	\$50,000	\$100,000	\$500,000	\$1,000,000 and over
Philippe Bibi	2006						
<i>Chief Technology Officer</i>	2005						
Joshua Brooks	2006						
<i>Deputy Head of Investments</i>	2005						
William Connolly	2006						
<i>Head of Retail Management</i>	N/A						
Kevin Cronin	2006						
<i>Head of Investments</i>	2005						
Charles Haldeman, Jr.	2006						
<i>President and CEO</i>	2005						
Amrit Kanwal	2006						
<i>Chief Financial Officer</i>	2005						

Steven Krichmar	2006	<input type="checkbox"/>
<i>Chief of Operations</i>	2005	<input type="checkbox"/>
Francis McNamara, III	2006	<input type="checkbox"/>
<i>General Counsel</i>	2005	<input type="checkbox"/>
Richard Robie, III	2006	<input type="checkbox"/>
<i>Chief Administrative Officer</i>	2005	<input type="checkbox"/>
Edward Shadek	2006	<input type="checkbox"/>
<i>Deputy Head of Investments</i>	2005	<input type="checkbox"/>
Sandra Whiston	2006	<input type="checkbox"/>
<i>Head of Institutional Management</i>	N/A	

N/A indicates the individual was not a member of Putnam's Executive Board as of 7/31/05.

18

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 and the American Stock Exchange.

Comparative indexes

Citigroup Non-U.S. World Government Bond Index is an unmanaged index of international investment-grade fixed-income securities, excluding the United States.

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

JP Morgan Global High Yield Index is an unmanaged index of global high-yield fixed-income securities.

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 equity securities from developed countries in Western Europe, the Far East, and Australasia.

Russell 2000 Index is an unmanaged index of the 2,000 smallest companies in 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 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.

Trustee approval of management contract

General conclusions

The Board of Trustees of the Putnam funds oversees the management of each fund and, as required by law, determines annually whether to approve the continuance of your fund's management contract with Putnam Management and the sub-management contract between Putnam Management's affiliate, Putnam Investments Limited ("PIL"), and Putnam Management. In this regard, the Board of Trustees, with the assistance of its Contract Committee consisting solely of Trustees who are not "interested persons" (as such term is defined in the Investment Company Act of 1940, as amended) of the Putnam funds (the "Independent Trustees"), requests and evaluates all information it deems reasonably necessary under the circumstances. Over the course of several months ending in June 2006, the Contract Committee met four times to consider the information provided by Putnam Management and other information developed with the assistance of the Board's independent counsel and independent staff. The Contract Committee reviewed and discussed key aspects of this information with all of the Independent Trustees. Upon completion of this review, the Contract Committee recommended, and the Independent Trustees approved, the continuance of your fund's management contract and sub-management contract, effective July 1, 2006. (Because PIL is an affiliate of Putnam Management and Putnam Management remain fully responsible for all services provided by PIL, the Trustees have not evaluated PIL as a separate entity, and all subsequent references to Putnam Management below include reference to PIL as necessary or appropriate in the context.)

This approval was based on the following conclusions:

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

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

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

arrangements may receive greater scrutiny in some years than others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements in prior years.

20

Management fee schedules and categories; total expenses

The Trustees reviewed the management fee schedules in effect for all Putnam funds, including fee levels and breakpoints, and the assignment of funds to particular fee categories. In reviewing fees and expenses, the Trustees generally focused their attention on material changes in circumstances — for example, changes in a fund's size or investment style, changes in Putnam Management's operating costs, or changes in competitive practices in the mutual fund industry — that suggest that consideration of fee changes might be warranted. The Trustees concluded that the circumstances did not warrant changes to the management fee structure of your fund, which had been carefully developed over the years, re-examined on many occasions and adjusted where appropriate. The Trustees focused on two areas of particular interest, as discussed further below:

Competitiveness. The Trustees reviewed comparative fee and expense information for competitive funds, which indicated that, in a custom peer group of competitive funds selected by Lipper Inc., your fund ranked in the 67th percentile in management fees and in the 67th percentile in total expenses as of December 31, 2005 (the first percentile being the least expensive funds and the 100th percentile being the most expensive funds). The Trustees expressed their intention to monitor this information closely to ensure that fees and expenses of your fund continue to meet evolving competitive standards.

Economies of scale. Your fund currently has the benefit of breakpoints in its management fee that provide shareholders with significant economies of scale, which means that the effective management fee rate of a fund (as a percentage of fund assets) declines as a fund grows in size and crosses specified asset thresholds. Conversely, as a fund shrinks in size — as has been the case for many Putnam funds in recent years — these breakpoints result in increasing fee levels. In recent years, the Trustees have examined the operation of the existing breakpoint structure during periods of both growth and decline in asset levels. The Trustees concluded that the fee schedules in effect for the funds represented an appropriate sharing of economies of scale at current asset levels. In reaching this conclusion, the Trustees considered the Contract Committee's stated intent to continue to work with Putnam Management to plan for an eventual resumption in the growth of assets, including a study of potential economies that might be produced under various growth assumptions.

In connection with their review of the management fees and total expenses of the Putnam funds, the Trustees also reviewed the costs of the services to be provided and profits to be realized by Putnam Management and its affiliates from the relationship with the funds. This information included trends in revenues, expenses and profitability of Putnam Management and its affiliates relating to the investment management and distribution services provided to the funds. In this regard, the Trustees also reviewed an analysis of Putnam Management's revenues, expenses and profitability with respect to the funds' management contracts, allocated on a fund-by-fund basis. Because many of the costs incurred by Putnam Management in managing the funds are not readily identifiable to particular funds, the Trustees observed that the methodology for allocating

21

costs is an important factor in evaluating Putnam Management's costs and profitability, both as to the Putnam funds in the aggregate and as to individual funds. The Trustees reviewed Putnam Management's cost allocation methodology with the assistance of independent consultants and concluded that this methodology was reasonable and well-considered.

Investment performance

The quality of the investment process provided by Putnam Management represented a major factor in the Trustees' evaluation of the quality of services provided by Putnam Management under your fund's management contract. The Trustees were assisted in their review of the Putnam funds' investment process and performance by the work of the Investment Process Committee of the Trustees and the Investment Oversight Committee of the Trustees, which

meet on a regular monthly basis with the funds' portfolio teams throughout the year. The Trustees concluded that Putnam Management generally provides a high-quality investment process — as measured by the experience and skills of the individuals assigned to the management of fund portfolios, the resources made available to such personnel, and in general the ability of Putnam Management to attract and retain high-quality personnel — but also recognize that this does not guarantee favorable investment results for every fund in every time period. The Trustees considered the investment performance of each fund over multiple time periods and considered information comparing each fund's performance with various benchmarks and with the performance of competitive funds.

The Trustees noted the satisfactory investment performance of many Putnam funds. They also noted the disappointing investment performance of certain funds in recent years and discussed with senior management of Putnam Management the factors contributing to such underperformance and actions being taken to improve performance. The Trustees recognized that, in recent years, Putnam Management has made significant changes in its investment personnel and processes and in the fund product line to address areas of underperformance. In particular, they noted the important contributions of Putnam Management's leadership in attracting, retaining and supporting high-quality investment professionals and in systematically implementing an investment process that seeks to merge the best features of fundamental and quantitative analysis. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these changes and to evaluate whether additional changes to address areas of underperformance are warranted.

In the case of your fund, the Trustees considered that your fund's common share cumulative total return performance at net asset value was in the following percentiles of its Lipper Inc. peer group (Lipper Flexible Income Funds (closed-end)) for the one-, three- and five-year periods ended March 31, 2006 (the first percentile being the best performing funds and the 100th percentile being the worst performing funds):

22

One-year period	Three-year period	Five-year period
56	34	34

(Because of the passage of time, these performance results may differ from the performance results for more recent periods shown elsewhere in this report. Over the one-, three- and five-year periods ended March 31, 2006, there were 8, 8, and 8 funds, respectively, in your fund's Lipper peer group.* Past performance is no guarantee of future performance.)

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

Brokerage and soft-dollar allocations; other benefits

The Trustees considered various potential benefits that Putnam Management may receive in connection with the services it provides under the management contract with your fund. These include benefits related to brokerage and soft-dollar allocations, whereby a portion of the commissions paid by a fund for brokerage may be used to acquire research services that may be useful to Putnam Management in managing the assets of the fund and of other clients. The Trustees indicated their continued intent to monitor the potential benefits associated with the allocation of fund brokerage to ensure that the principle of seeking "best price and execution" remains paramount in the portfolio trading process.

The Trustees' annual review of your fund's management contract also included the review of your fund's custodian and investor servicing agreements with Putnam Fiduciary Trust Company, which provide benefits to affiliates of

Putnam Management.

** The percentile rankings for your fund's common share annualized total return performance in the Lipper Flexible Income Funds (closed-end) category for the one-, five- and ten-year periods ended June 30, 2006, were 63%, 25%, and 38%, respectively. Over the one-, five- and ten-year periods ended June 30, 2006, the fund ranked 5 out of 7, 2 out of 7, and 3 out of 7 funds, respectively. Note that this more recent information was not available when the Trustees approved the continuance of your fund's management contract.*

23

Comparison of retail and institutional fee schedules

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

24

Other information for shareholders

Important notice regarding share repurchase program

In September 2006, the Trustees of your fund approved an extension of the current share repurchase program being implemented by Putnam Investments on behalf of your fund. The plan, as extended, allows your fund to repurchase, in the 24 months ending October 6, 2007, up to 10% of the shares outstanding as of October 7, 2005.

Putnam's policy on confidentiality

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

Proxy voting

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2006, are available on the Putnam Individual Investor Web site, www.putnam.com/individual, and on the SEC's Web site, 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 at no charge by calling Putnam's Shareholder Services at 1-800-225-1581.

25

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 Forms N-Q on the SEC's Web site at 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.

26

Financial statements

A guide to 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 portfolidists 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. (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 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.

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.

27

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, 2006, 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, 2006 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, 2006, 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 U.S. generally accepted accounting principles.

Boston, Massachusetts

September 18, 2006

28

The fund's portfolio^{/31/06}

U.S. GOVERNMENT AND AGENCY MORTGAGE OBLIGATIONS (13.6%)*

	Principal amount	Value
U.S. Government Agency Mortgage Obligations (13.6%)		
Federal Home Loan Mortgage Corporation		
Pass-Through Certificates		
7 1/2s, with due dates from March 1, 2026 to May 1, 2027	\$ 20,683	\$ 21,570
Federal National Mortgage Association		
Pass-Through Certificates		
8s, July 1, 2024	437	448
7 1/2s, with due dates from October 1, 2022 to August 1, 2030	95,155	98,740

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6 1/2s, October 1, 2034	276,812	280,792
6 1/2s, April 1, 2016	57,351	58,248
6s, TBA, August 1, 2036	5,500,000	5,464,336
5 1/2s, with due dates from August 1, 2021 to May 1, 2036	1,769,281	1,719,075
5 1/2s, with due dates from December 1, 2011 to January 1, 2021	1,818,368	1,799,340
5 1/2s, TBA, August 1, 2036	58,600,000	56,906,097
5s, with due dates from January 1, 2021 to May 1, 2021	225,114	218,678
5s, TBA, August 1, 2021	43,000,000	41,773,829
4 1/2s, with due dates from May 1, 2020 to June 1, 2034	6,024,395	5,557,578
4 1/2s, TBA, September 1, 2021	27,200,000	25,948,376
4 1/2s, TBA, August 1, 2021	40,000,000	38,196,876

Total U.S. government and agency mortgage obligations (cost \$176,478,912) \$ 178,043,983

U.S. TREASURY OBLIGATIONS (12.7%)*

	Principal amount	Value
U.S. Treasury Bonds		
7 1/2s, November 15, 2016	\$ 27,040,000	\$ 32,346,600
6 1/4s, May 15, 2030	46,303,000	53,306,329
6 1/4s, August 15, 2023	18,225,000	20,409,153
U.S. Treasury Notes		
4 1/4s, August 15, 2013	29,883,000	28,678,342
4s, November 15, 2012	3,000	2,852
3 1/4s, August 15, 2008	20,856,000	20,173,291
U.S. Treasury Strip zero %, November 15, 2024	28,450,000	11,043,664
Total U.S. treasury obligations (cost \$165,662,645)		\$ 165,960,231

29

FOREIGN GOVERNMENT BONDS AND NOTES (19.2%)*

		Principal amount	Value
Argentina (Republic of) FRB 5.59s, 2012		\$ 11,392,500	\$ 10,564,645
Austria (Republic of) 144A notes Ser. EMTN, 3.8s, 2013	EUR	8,000,000	10,187,584
Barbados (Government of) 144A bonds 6 5/8s, 2035		\$ 980,000	922,474
Brazil (Federal Republic of) bonds 10 1/2s, 2014		1,865,000	2,301,410
Brazil (Federal Republic of) bonds 8 7/8s, 2019		4,785,000	5,533,853
Brazil (Federal Republic of) bonds 5.794s, 2016 (S)		2,760,000	1,271,261
Brazil (Federal Republic of) notes 11s, 2012		5,195,000	6,285,950
Brazil (Federal Republic of) notes 8 3/4s, 2025		5,112,000	5,891,580
Canada (Government of) bonds 5 1/2s, 2010	CAD	3,730,000	3,453,386
Canada (Government of) bonds Ser. WL43, 5 3/4s, 2029	CAD	1,340,000	1,413,629

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Colombia (Republic of) notes 10s, 2012 (S)		\$ 3,765,000	4,325,985
Colombia (Republic of) notes 0.005s, 2015		885,000,000	428,588
France (Government of) bonds 5 3/4s, 2032	EUR	2,605,000	4,118,411
France (Government of) bonds 5 1/2s, 2010	EUR	6,300,000	8,605,535
France (Government of) bonds 4s, 2013	EUR	7,700,000	9,938,190
France (Government of) bonds 4s, 2009	EUR	1,520,000	1,961,824
France (Government of) bonds Ser. OATe, 3s, 2012	EUR	8,441,862	11,644,333
Germany (Federal Republic of) bonds Ser. 97, 6s, 2007	EUR	10,560,000	13,784,475
Germany (Federal Republic of) bonds Ser. 97, 6s, 2007	EUR	8,820,000	11,383,745
Ireland (Republic of) bonds 5s, 2013	EUR	14,800,000	20,218,067
Japan (Government of) bonds Ser. 239, 0.2s, 2007	JPY	7,500,000,000	65,121,264
Peru (Republic of) bonds 7.35s, 2025		\$ 1,300,000	1,322,750
Philippines (Republic of) bonds 9 1/2s, 2024		4,880,000	5,673,000
Russia (Federation of) unsub. stepped-coupon 5s (7 1/2s, 3/31/07), 2030 □□		4,787,000	5,213,043
Russia (Federation of) 144A unsub. stepped-coupon 5s (7 1/2s, 3/31/07), 2030 □□		5,612,700	6,112,230
Russia (Ministry of Finance) debts. Ser. V, 3s, 2008		4,040,000	3,838,000
South Africa (Republic of) notes 7 3/8s, 2012		2,780,000	2,960,700
South Africa (Republic of) notes 6 1/2s, 2014		2,585,000	2,640,578
Spain (Kingdom of) bonds 5s, 2012	EUR	4,600,000	6,245,783
Sweden (Government of) debts. Ser. 1041, 6 3/4s, 2014	SEK	59,875,000	9,922,622
United Mexican States bonds Ser. MTN, 8.3s, 2031		\$ 4,545,000	5,465,363
Venezuela (Republic of) notes 10 3/4s, 2013		1,975,000	2,397,650
Total foreign government bonds and notes (cost \$238,201,471)			\$ 251,147,908

CORPORATE BONDS AND NOTES (17.8%)*

	Principal amount	Value
Basic Materials (1.4%)		
Chaparral Steel Co. company guaranty 10s, 2013	\$ 950,000	\$ 1,047,375
Cognis Holding GmbH & Co. 144A sr. notes 9 1/2s, 2014 (Germany)	EUR 514,000	733,584
Compass Minerals International, Inc. sr. disc. notes stepped-coupon Ser. B, zero % (12s, 6/1/08), 2013 □□	\$ 555,000	510,600
Compass Minerals International, Inc. sr. notes stepped-coupon zero % (12 3/4s, 12/15/07), 2012 □□	1,490,000	1,434,125
Covalence Specialty Materials Corp. 144A sr. sub. notes 10 1/4s, 2016	925,000	899,563

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Principal amount Value

Basic Materials *continued*

Crystal US Holdings, LLC sr. disc.

notes stepped-coupon Ser. A, zero % (10s, 10/1/09), 2014 ☐☐	\$ 659,000	\$ 520,610
Equistar Chemicals LP/Equistar Funding Corp. company guaranty 10 1/8s, 2008	1,128,000	1,188,630
Gerdau Ameristeel Corp. sr. notes 10 3/8s, 2011 (Canada)	1,315,000	1,420,200
Huntsman, LLC company guaranty 11 5/8s, 2010	500,000	550,625
Huntsman, LLC company guaranty 11 1/2s, 2012	380,000	423,700
Innophos, Inc. company guaranty 8 7/8s, 2014	317,000	317,000
International Steel Group, Inc. sr. notes 6 1/2s, 2014	250,000	236,250
Jefferson Smurfit Corp. company guaranty 7 1/2s, 2013	490,000	443,450
JSG Holding PLC 144A sr. notes 11 1/2s, 2015 (Ireland) ☐☐ EUR	370,310	480,548
Lyondell Chemical Co. company guaranty 10 1/2s, 2013	\$ 300,000	329,250
MDP Acquisitions PLC sr. notes 9 5/8s, 2012 (Ireland)	170,000	175,950
MDP Acquisitions PLC sr. notes Ser. EUR, 10 1/8s, 2012 (Ireland) EUR	845,000	1,174,182
Nalco Co. sr. sub. notes 9s, 2013 EUR	140,000	188,555
Nalco Co. sr. sub. notes 8 7/8s, 2013	\$ 1,141,000	1,152,410
Novelis, Inc. 144A sr. notes 8s, 2015	1,575,000	1,523,813
PQ Corp. company guaranty 7 1/2s, 2013	184,000	176,640
Rockwood Specialties Group, Inc. company guaranty 7 5/8s, 2014 EUR	700,000	913,297
Steel Dynamics, Inc. company guaranty 9 1/2s, 2009	\$ 1,335,000	1,378,388
Sterling Chemicals, Inc. sec. notes 10s, 2007 ☐☐	289,802	276,761
Stone Container Corp. sr. notes 9 3/4s, 2011	21,000	21,709
Stone Container Corp. sr. notes 8 3/8s, 2012	399,000	379,549
Stone Container Finance company guaranty 7 3/8s, 2014 (Canada)	290,000	258,100
United States Steel Corp. sr. notes 9 3/4s, 2010	635,000	676,275
		18,831,139

Capital Goods (1.4%)

Allied Waste North America, Inc. company

guaranty Ser. B, 8 1/2s, 2008	1,422,000	1,477,103
Blount, Inc. sr. sub. notes 8 7/8s, 2012	1,076,000	1,086,760
Browning-Ferris Industries, Inc. sr. notes 6 3/8s, 2008	780,000	778,050
Crown Cork & Seal Co. Inc. debs. 8s, 2023	285,000	263,625
Crown Euro Holdings SA company guaranty 6 1/4s, 2011 (France) EUR	209,000	278,418
Decrane Aircraft Holdings Co. company guaranty zero %, 2008 (acquired 7/23/04, cost \$633,705) ☐	\$ 1,932,000	1,352,400
L-3 Communications Corp. company guaranty 6 1/8s, 2013	4,677,000	4,478,228
L-3 Communications Corp. sr. sub. notes 5 7/8s, 2015	1,509,000	1,414,688
Legrand SA debs. 8 1/2s, 2025 (France)	1,573,000	1,793,220
Manitowoc Co., Inc. (The) company guaranty 10 1/2s, 2012	104,000	112,580
Manitowoc Co., Inc. (The) sr. notes 7 1/8s, 2013	425,000	409,063

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Milacron Escrow Corp. sec. notes 11 1/2s, 2011	242,000	223,850
Mueller Group, Inc. sr. sub. notes 10s, 2012	331,000	357,480
Owens-Brockway Glass company guaranty 7 3/4s, 2011	186,000	189,720
Owens-Brockway Glass sr. sec. notes 8 3/4s, 2012	1,737,000	1,832,535
Owens-Illinois, Inc. debs. 7 1/2s, 2010	207,000	203,895

31

CORPORATE BONDS AND NOTES (17.8%)* *continued*

	Principal amount	Value
<i>Capital Goods continued</i>		
Siebe PLC 144A sr. unsub. 6 1/2s, 2010 (United Kingdom)	\$ 420,000	\$ 427,392
Terex Corp. company guaranty 9 1/4s, 2011	365,000	386,900
Terex Corp. company guaranty Ser. B, 10 3/8s, 2011	915,000	962,470
		18,028,377

Communication Services (1.0%)

American Cellular Corp. company guaranty 9 1/2s, 2009	375,000	384,375
Cincinnati Bell Telephone company guaranty 6.3s, 2028	285,000	242,250
Cincinnati Bell, Inc. company guaranty 7s, 2015	1,040,000	985,400
Citizens Communications Co. sr. notes 6 1/4s, 2013	3,321,000	3,163,253
Digicel, Ltd. 144A sr. notes 9 1/4s, 2012 (Jamaica)	625,000	651,563
Inmarsat Finance PLC company guaranty 7 5/8s, 2012 (United Kingdom)	433,000	441,660
Inmarsat Finance PLC company guaranty stepped-coupon zero % (10 3/8s, 10/15/08), 2012 (United Kingdom) ☐☐	1,683,000	1,438,965
iPCS, Inc. sr. notes 11 1/2s, 2012	580,000	649,600
IWO Holdings, Inc. sec. FRN 9.257s, 2012	160,000	165,200
Qwest Communications International, Inc. company guaranty 7 1/2s, 2014	844,000	827,120
Qwest Corp. debs. 7 1/4s, 2025	382,000	363,378
Qwest Corp. notes 8 7/8s, 2012	2,424,000	2,611,860
Qwest Corp. sr. notes 7 5/8s, 2015	797,000	809,951
Rogers Cantel, Inc. debs. 9 3/4s, 2016 (Canada)	335,000	388,600
Rural Cellular Corp. sr. sub. notes 9 3/4s, 2010	290,000	290,725
		13,413,900

Consumer Cyclical (3.2%)

Boyd Gaming Corp. sr. sub. notes 8 3/4s, 2012	1,135,000	1,190,331
Boyd Gaming Corp. sr. sub. notes 7 3/4s, 2012	315,000	313,425
Boyd Gaming Corp. sr. sub. notes 6 3/4s, 2014	265,000	248,438
CanWest Media, Inc. company guaranty 8s, 2012 (Canada)	892,075	869,773
Dex Media West, LLC/Dex Media Finance Co. sr. notes Ser. B, 8 1/2s, 2010	1,150,000	1,181,625

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Dex Media, Inc. notes 8s, 2013	356,000	356,000
FelCor Lodging LP company guaranty 8 1/2s, 2008 (R)	1,012,000	1,065,130
Ford Motor Credit Corp. notes 7 7/8s, 2010	480,000	451,604
Ford Motor Credit Corp. notes 7 3/8s, 2009	708,000	667,838
Ford Motor Credit Corp. 144A sr. unsecd. notes 9 3/4s, 2010	873,000	864,052
General Motors Acceptance Corp. FRN 6.457s, 2007	680,000	675,693
General Motors Acceptance Corp. FRN Ser. MTN, 6.039s, 2007	1,360,000	1,354,731
General Motors Acceptance Corp. notes 7 3/4s, 2010	176,000	175,837
General Motors Acceptance Corp. notes 6 7/8s, 2012	404,000	389,885
General Motors Acceptance Corp. notes 6 3/4s, 2014 (S)	1,018,000	958,262
General Motors Acceptance Corp.sr. unsub. notes 5.85s, 2009	209,000	200,844
Goodyear Tire & Rubber Co. (The) sr. notes 9s, 2015	765,000	736,313
Host Marriott LP sr. notes Ser. M, 7s, 2012 (R)	1,460,000	1,460,000
Jostens IH Corp. company guaranty 7 5/8s, 2012	1,393,000	1,349,469
Levi Strauss & Co. sr. notes 9 3/4s, 2015	1,275,000	1,306,875

32

CORPORATE BONDS AND NOTES (17.8%)* *continued*

	Principal amount	Value
<i>Consumer Cyclical continued</i>		
Levi Strauss & Co. sr. notes 8 7/8s, 2016	\$ 560,000	\$ 543,200
Meritage Homes Corp. company guaranty 6 1/4s, 2015	455,000	373,669
Meritor Automotive, Inc. notes 6.8s, 2009	135,000	130,950
MGM Mirage, Inc. company guaranty 8 1/2s, 2010	885,000	923,719
MGM Mirage, Inc. company guaranty 6s, 2009	1,929,000	1,875,953
Mirage Resorts, Inc. debs. 7 1/4s, 2017	173,000	165,215
Movie Gallery, Inc. sr. unsecd. notes 11s, 2012	369,000	289,665
Owens Corning notes 7 1/2s, 2005 (In default) □ ****	1,036,000	673,400
Oxford Industries, Inc. sr. notes 8 7/8s, 2011	880,000	884,400
Park Place Entertainment Corp. sr. notes 7s, 2013	945,000	967,426
Park Place Entertainment Corp. sr. sub. notes 7 7/8s, 2010	745,000	771,075
Pinnacle Entertainment, Inc. sr. sub. notes 8 1/4s, 2012	475,000	473,813
PRIMEDIA, Inc. sr. notes 8s, 2013	1,336,000	1,172,340
R.H. Donnelley Corp. sr. disc. notes Ser. A-2, 6 7/8s, 2013	129,000	117,068
R.H. Donnelley Corp. sr. notes 6 7/8s, 2013	521,000	472,808
Reader's Digest Association, Inc. (The) sr. notes 6 1/2s, 2011	705,000	682,969
Resorts International Hotel and Casino, Inc. company guaranty 11 1/2s, 2009	875,000	936,250
Scientific Games Corp. company guaranty 6 1/4s, 2012	1,226,000	1,143,245
Sealy Mattress Co. sr. sub. notes 8 1/4s, 2014	1,425,000	1,425,000
Standard Pacific Corp. sr. notes 7 3/4s, 2013	257,000	238,368
Starwood Hotels & Resorts Worldwide, Inc. company		

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guaranty 7 7/8s, 2012	1,085,000	1,144,675
Starwood Hotels & Resorts Worldwide, Inc.		
debs. 7 3/8s, 2015	1,000,000	1,027,500
Station Casinos, Inc. sr. notes 6s, 2012	910,000	854,263
Station Casinos, Inc. sr. sub. notes 6 7/8s, 2016	990,000	910,800
Tenneco Automotive, Inc. company guaranty 8 5/8s, 2014 (S)	553,000	548,853
Tenneco Automotive, Inc. sec. notes Ser. B, 10 1/4s, 2013	846,000	922,140
Texas Industries, Inc. sr. unsecd. notes 7 1/4s, 2013	318,000	318,398
THL Buildco, Inc. (Nortek Holdings, Inc.)		
sr. sub. notes 8 1/2s, 2014	1,207,000	1,128,545
Trump Entertainment Resorts, Inc. sec. notes 8 1/2s, 2015	229,000	219,840
United Auto Group, Inc. company guaranty 9 5/8s, 2012	985,000	1,026,863
Vertis, Inc. company guaranty Ser. B, 10 7/8s, 2009	1,415,000	1,404,388
Vertis, Inc. 144A sub. notes 13 1/2s, 2009	1,158,000	984,300
Wynn Las Vegas, LLC/Wynn Las Vegas Capital Corp. 1st		
mtge. 6 5/8s, 2014	1,087,000	1,024,498
		41,591,721

Consumer Staples (2.6%)

Affinity Group, Inc. sr. sub. notes 9s, 2012	1,055,000	1,055,000
AMC Entertainment, Inc. sr. sub. notes 8s, 2014	884,000	817,700
Archibald Candy Corp. company guaranty 10s,		
2007 (In default) (F) □	173,688	9,076

33

CORPORATE BONDS AND NOTES (17.8%)* *continued*

	Principal amount	Value
<i>Consumer Staples continued</i>		
Avis Budget Care Rental, LLC 144A sr. notes 7 3/4s, 2016	\$ 560,000	\$ 546,000
Brand Services, Inc. company guaranty 12s, 2012	1,090,000	1,226,250
CCH I Holdings LLC company guaranty stepped-coupon		
zero % (12 1/8s, 11/15/07), 2015 □□	284,000	171,820
CCH I LLC secd. notes 11s, 2015	2,450,000	2,198,875
CCH II, LLC/Capital Corp. sr. notes Ser. B, 10 1/4s, 2010	499,000	503,366
CCH, LLC/Capital Corp. sr. notes 10 1/4s, 2010	166,000	167,660
Church & Dwight Co., Inc. company guaranty 6s, 2012	865,000	807,694
Cinemark USA, Inc. sr. sub. notes 9s, 2013	34,000	35,615
Cinemark, Inc. sr. disc. notes stepped-coupon zero %		
(9 3/4s, 3/15/09), 2014 □□	1,915,000	1,503,275
Constellation Brands, Inc. sr. sub. notes Ser. B,		
8 1/8s, 2012	805,000	831,163
CSC Holdings, Inc. debs. 7 5/8s, 2018	382,000	379,135
CSC Holdings, Inc. sr. notes Ser. B, 7 5/8s, 2011	717,000	721,481
CSC Holdings, Inc. 144A sr. notes 7 1/4s, 2012	2,008,000	1,940,230

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Dean Foods Co. company guaranty 7s, 2016	522,000	505,035
Dean Foods Co. sr. notes 6 5/8s, 2009	869,000	864,655
Del Monte Corp. company guaranty 6 3/4s, 2015	640,000	596,800
Del Monte Corp. sr. sub. notes 8 5/8s, 2012	1,085,000	1,125,688
DirecTV Holdings, LLC company guaranty 6 3/8s, 2015	1,999,000	1,851,574
Echostar DBS Corp. company guaranty 6 5/8s, 2014	4,144,000	3,998,960
Interpublic Group of Companies, Inc. notes 6 1/4s, 2014 (S)	233,000	188,730
Jean Coutu Group, Inc. sr. notes 7 5/8s, 2012 (Canada)	1,025,000	996,813
Jean Coutu Group, Inc. sr. sub. notes 8 1/2s, 2014 (Canada)	505,000	471,544
Pinnacle Foods Holding Corp. sr. sub. notes 8 1/4s, 2013	1,439,000	1,410,220
Playtex Products, Inc. company guaranty 9 3/8s, 2011	330,000	344,438
Playtex Products, Inc. sec. notes 8s, 2011	1,490,000	1,544,013
Prestige Brands, Inc. sr. sub. notes 9 1/4s, 2012	873,000	859,905
Rainbow National Services, LLC 144A		
sr. notes 8 3/4s, 2012	936,000	989,820
Remington Arms Co., Inc. company guaranty 10 1/2s, 2011	950,000	838,375
Sbarro, Inc. company guaranty 11s, 2009	1,410,000	1,424,100
Scotts Co. (The) sr. sub. notes 6 5/8s, 2013	495,000	475,819
Six Flags, Inc. sr. notes 9 5/8s, 2014	721,000	654,308
Young Broadcasting, Inc. company guaranty 10s, 2011	844,000	774,370
Young Broadcasting, Inc. sr. sub. notes 8 3/4s, 2014	710,000	596,400
		33,425,907

Energy (3.6%)

Arch Western Finance, LLC sr. notes 6 3/4s, 2013	2,598,000	2,474,595
Bluewater Finance, Ltd. company guaranty 10 1/4s, 2012 (Cayman Islands)	940,000	956,450
CHC Helicopter Corp. sr. sub. notes 7 3/8s, 2014 (Canada)	1,577,000	1,482,380
Chesapeake Energy Corp. sr. notes 7 1/2s, 2013	1,991,000	2,003,444
Comstock Resources, Inc. sr. notes 6 7/8s, 2012	995,000	935,300
Dresser, Inc. company guaranty 10 1/8s, 2011	1,348,000	1,374,960
EXCO Resources, Inc. company guaranty 7 1/4s, 2011	1,410,000	1,374,750
Forest Oil Corp. sr. notes 8s, 2011	1,465,000	1,505,288

34

CORPORATE BONDS AND NOTES (17.8%)* *continued*

	Principal amount	Value
<i>Energy continued</i>		
Forest Oil Corp. sr. notes 8s, 2008	\$ 390,000	\$ 400,238
Gazprom OAO 144A notes 9 5/8s, 2013 (Germany)	3,820,000	4,469,400
Harvest Operations Corp. sr. notes 7 7/8s, 2011 (Canada)	1,140,000	1,091,550
Hornbeck Offshore Services, Inc. sr. notes Ser. B, 6 1/8s, 2014	1,013,000	944,623
Massey Energy Co. sr. notes 6 5/8s, 2010	1,497,000	1,497,000

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Newfield Exploration Co. sr. notes 7 5/8s, 2011	1,360,000	1,390,600
Newfield Exploration Co. sr. sub. notes 6 5/8s, 2014	698,000	676,188
Offshore Logistics, Inc. company guaranty 6 1/8s, 2013	910,000	844,025
Oslo Seismic Services, Inc. 1st mtge. 8.28s, 2011	880,216	896,620
Pacific Energy Partners/Pacific Energy Finance Corp. sr. notes 7 1/8s, 2014	695,000	701,950
Peabody Energy Corp. sr. notes 5 7/8s, 2016	1,470,000	1,323,000
Pemex Finance, Ltd. bonds 9.69s, 2009 (Cayman Islands)	1,277,250	1,349,773
Pemex Project Funding Master Trust company guaranty 10s, 2027	2,500,000	3,156,250
Pemex Project Funding Master Trust company guaranty 8 5/8s, 2022	1,215,000	1,403,325
Pemex Project Funding Master Trust company guaranty 5 3/4s, 2015	3,855,000	3,672,593
Pemex Project Funding Master Trust 144A company guaranty 5 3/4s, 2015	3,492,000	3,326,769
PetroHawk Energy Corp. 144A sr. notes 9 1/8s, 2013	1,710,000	1,748,475
Plains Exploration & Production Co. sr. notes 7 1/8s, 2014	1,352,000	1,338,480
Plains Exploration & Production Co. sr. sub. notes 8 3/4s, 2012	1,230,000	1,286,888
Pogo Producing Co. sr. sub. notes Ser. B, 8 1/4s, 2011	1,270,000	1,308,100
Pride International, Inc. sr. notes 7 3/8s, 2014	1,619,000	1,635,190
Seabulk International, Inc. company guaranty 9 1/2s, 2013	1,150,000	1,270,750
		47,838,954

Financial (0.9%)

Bosphorus Financial Services, Ltd. 144A sec. FRN 6.97s, 2012 (Cayman Islands)	2,828,000	2,806,765
Crescent Real Estate Equities LP notes 7 1/2s, 2007 (R)	600,000	604,500
Finova Group, Inc. notes 7 1/2s, 2009	853,740	247,585
UBS Luxembourg SA for Sberbank unsec. sub. notes 6.23s (7.429s, 2/11/10), 2015 (Luxembourg) ☐☐	2,730,000	2,709,525
VTB Capital SA bonds 6 1/4s, 2035 (Luxembourg)	1,724,000	1,706,760
VTB Capital SA sr. notes 6 1/4s, 2035 (Luxembourg)	1,065,000	1,054,350
VTB Capital SA 144A notes 7 1/2s, 2011 (Luxembourg)	2,595,000	2,714,370
		11,843,855

Health Care (1.3%)

Community Health Systems, Inc. sr. sub. notes 6 1/2s, 2012	355,000	334,588
DaVita, Inc. company guaranty 6 5/8s, 2013	335,000	319,088

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CORPORATE BONDS AND NOTES (17.8%)* *continued*

	Principal amount	Value
<hr/>		
Health Care <i>continued</i>		
Extendicare Health Services, Inc.		
sr. sub. notes 6 7/8s, 2014	\$ 600,000	\$ 624,000
HCA, Inc. debts. 7.19s, 2015	1,035,000	853,928
HCA, Inc. notes 8.36s, 2024	990,000	805,455
HCA, Inc. notes 7.69s, 2025	900,000	710,391
MedQuest, Inc. company guaranty Ser. B, 11 7/8s, 2012	1,100,000	1,034,000
Omnicare, Inc. sr. sub. notes 6 1/8s, 2013	1,450,000	1,355,750
Service Corp. International 144A sr. notes 8s, 2017	333,000	310,939
Service Corporation International debts. 7 7/8s, 2013	112,000	113,120
Service Corporation International notes Ser. *, 7.7s, 2009	515,000	524,656
Service Corporation International sr. notes 6 3/4s, 2016	1,039,000	968,868
Stewart Enterprises, Inc. sr. notes 6 1/4s, 2013	1,412,000	1,267,270
Tenet Healthcare Corp. notes 7 3/8s, 2013	750,000	650,625
Tenet Healthcare Corp. sr. notes 9 7/8s, 2014	1,467,000	1,400,985
Triad Hospitals, Inc. sr. notes 7s, 2012	1,585,000	1,575,094
Triad Hospitals, Inc. sr. sub. notes 7s, 2013	409,000	390,595
US Oncology, Inc. company guaranty 9s, 2012	835,000	868,400
Vanguard Health Holding Co. II, LLC		
sr. sub. notes 9s, 2014	1,081,000	1,045,868
Ventas Realty LP/Capital Corp. company guaranty 9s, 2012 (R)	590,000	644,575
Ventas Realty LP/Capital Corp. company		
guaranty 6 3/4s, 2010 (R)	392,000	392,980
Ventas Realty LP/Capital Corp. sr. notes 6 5/8s, 2014 (R)	337,000	328,996
		16,520,171
<hr/>		
Technology (0.5%)		
Advanced Micro Devices, Inc. sr. notes 7 3/4s, 2012	649,000	651,434
Freescale Semiconductor, Inc. sr. notes Ser. B, 7 1/8s, 2014	2,386,000	2,433,720
Iron Mountain, Inc. company guaranty 8 5/8s, 2013	435,000	442,613
Iron Mountain, Inc. sr. sub. notes 8 1/4s, 2011	770,000	775,775
New ASAT Finance, Ltd. company guaranty 9 1/4s, 2011		
(Cayman Islands)	25,000	19,750
SunGard Data Systems, Inc. company guaranty 9 1/8s, 2013	660,000	674,025
Xerox Corp. sr. notes 7 5/8s, 2013	1,727,000	1,744,270
		6,741,587
<hr/>		
Transportation (0.1%)		
CalAir, LLC/CalAir Capital Corp. company guaranty 8 1/8s, 2008	1,490,000	1,447,163
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Utilities & Power (1.8%)		

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AES Corp. (The) sr. notes 8 7/8s, 2011	107,000	112,751
AES Corp. (The) sr. notes 8 3/4s, 2008	60,000	62,250
AES Corp. (The) 144A sec. notes 9s, 2015	1,113,000	1,195,084
AES Corp. (The) 144A sec. notes 8 3/4s, 2013	895,000	961,006
ANR Pipeline Co. debs. 9 5/8s, 2021	462,000	548,781
Centrais Electricas Brasileirass SA 144A sr. notes 7 3/4s, 2015 (Brazil)	1,196,000	1,197,555
CMS Energy Corp. sr. notes 8.9s, 2008	1,690,000	1,761,825
CMS Energy Corp. sr. notes 7 3/4s, 2010	350,000	358,313

36

CORPORATE BONDS AND NOTES (17.8%)* *continued*

	Principal amount	Value
<i>Utilities & Power continued</i>		
Colorado Interstate Gas Co. debs. 6.85s, 2037	\$ 615,000	\$ 618,559
Colorado Interstate Gas Co. sr. notes 5.95s, 2015	173,000	159,600
Edison Mission Energy 144A sr. notes 7 3/4s, 2016	284,000	280,450
Edison Mission Energy 144A sr. notes 7 1/2s, 2013	338,000	333,775
El Paso Natural Gas Co. debs. 8 5/8s, 2022	370,000	404,823
El Paso Production Holding Co. company guaranty 7 3/4s, 2013	1,939,000	1,970,509
Ferrellgas LP/Finance sr. notes 6 3/4s, 2014	1,010,000	959,500
Midwest Generation, LLC sec. sr. notes 8 3/4s, 2034	1,321,000	1,405,214
Mission Energy Holding Co. sec. notes 13 1/2s, 2008	1,445,000	1,614,788
Monongahela Power Co. 1st mtge. 6.7s, 2014	775,000	808,967
Northwestern Corp. sec. notes 5 7/8s, 2014	624,000	617,362
Orion Power Holdings, Inc. sr. notes 12s, 2010	1,115,000	1,273,888
SEMCO Energy, Inc. sr. notes 7 3/4s, 2013	993,000	990,808
Teco Energy, Inc. notes 7.2s, 2011	350,000	357,438
Teco Energy, Inc. notes 7s, 2012	550,000	550,000
Teco Energy, Inc. sr. notes 6 3/4s, 2015	63,000	61,898
Tennessee Gas Pipeline Co. debs. 7s, 2028	145,000	136,750
Tennessee Gas Pipeline Co. unsecd. notes 7 1/2s, 2017	291,000	295,454
Transcontinental Gas Pipeline Corp. debs. 7 1/4s, 2026	875,000	858,594
Utilicorp Canada Finance Corp. company guaranty 7 3/4s, 2011 (Canada)	1,188,000	1,235,520
Utilicorp United, Inc. sr. notes 9.95s, 2011	36,000	39,558
Williams Cos., Inc. (The) notes 8 3/4s, 2032	280,000	302,400
Williams Cos., Inc. (The) notes 8 1/8s, 2012	290,000	303,775
Williams Cos., Inc. (The) notes 7 5/8s, 2019	1,045,000	1,055,450
Williams Cos., Inc. (The) 144A notes 6 3/8s, 2010	336,000	328,860
York Power Funding 144A notes 12s, 2007 (Cayman Islands) (In default) (F) □	419,508	34,987
		23,196,492

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Total corporate bonds and notes (cost \$236,241,210) \$ 232,879,266

COLLATERALIZED MORTGAGE OBLIGATIONS (13.5%)*

	Principal amount	Value
Amresco Commercial Mortgage Funding I Ser. 97-C1, Class G, 7s, 2029	\$ 720,000	\$ 721,761
Banc of America Commercial Mortgage, Inc. 144A Ser. 01-1, Class J, 6 1/8s, 2036	318,946	316,379
Ser. 01-1, Class K, 6 1/8s, 2036	718,000	552,652
Banc of America Large Loan 144A FRB Ser. 02-FL2A, Class L1, 8.337s, 2014	412,000	411,236
FRB Ser. 02-FL2A, Class K1, 7.837s, 2014	100,000	99,841
FRB Ser. 05-BOCA, Class M, 7.469s, 2016	693,000	692,993
FRB Ser. 05-MIB1, Class K, 7.369s, 2022	1,187,000	1,168,822
FRB Ser. 05-ESHA, Class K, 7.159s, 2020	1,396,000	1,396,756
FRB Ser. 05-BOCA, Class L, 7.069s, 2016	300,000	299,997
FRB Ser. 06-LAQ, Class L, 6.895s, 2021	673,000	675,123

37

COLLATERALIZED MORTGAGE OBLIGATIONS (13.5%)* *continued*

	Principal amount	Value
Banc of America Large Loan 144A FRB Ser. 06-LAQ, Class M, 6.8s, 2021	\$ 808,000	\$ 810,034
FRB Ser. 05-BOCA, Class K, 6.719s, 2016	275,000	274,998
FRB Ser. 05-BOCA, Class J, 6.469s, 2016	200,000	199,998
FRB Ser. 05-BOCA, Class H, 6.319s, 2016	100,000	99,999
Bear Stearns Commercial Mortgage Securities, Inc. 144A FRB Ser. 05-LXR1, Class J, 7.019s, 2018	1,229,000	1,229,000
Bear Stearns Commercial Mortgage Securitization Corp. Ser. 00-WF2, Class F, 8.198s, 2032	481,000	531,061
Broadgate Financing PLC sec. FRB Ser. D, 5.553s, 2023 (United Kingdom)	GBP 897,250	1,670,129
Commercial Mortgage Acceptance Corp. Ser. 97-ML1, IO (Interest only), 0.916s, 2017	\$ 6,950,230	82,534
Commercial Mortgage Pass-Through Certificates 144A FRB Ser. 01-FL5A, Class G, 5.963s, 2013 (acquired 9/26/05, cost \$2,093,480) □	2,104,000	2,093,480
FRB Ser. 05-F10A, Class A1, 5.469s, 2017	5,990,068	5,987,899
Countrywide Alternative Loan Trust Ser. 06-OA10, Class XBI, IO, 0.338s, 2046	12,358,972	646,374
IFB Ser. 06-14CB, Class A9, IO, zero %, 2036	2,358,559	12,714
IFB Ser. 06-19CB, Class A2, IO, zero %, 2036	916,982	3,152

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IFB Ser. 06-20CB, Class A14, IO, zero %, 2036	1,325,740	2,486
IFB Ser. 06-6CB, Class 1A3, IO, zero %, 2036	16,454,056	38,564
CRESI Finance Limited Partnership 144A		
FRB Ser. 06-A, Class D, 6.149s, 2017	167,000	167,000
FRB Ser. 06-A, Class C, 5.949s, 2017	495,000	495,000
Criimi Mae Commercial Mortgage Trust 144A		
Ser. 98-C1, Class B, 7s, 2033	3,957,000	3,968,475
CS First Boston Mortgage Securities Corp. 144A		
FRB Ser. 05-TFLA, Class L, 7.219s, 2020	1,356,000	1,355,986
Ser. 1998-C2, Class F, 6 3/4s, 2030	3,176,400	3,331,364
FRB Ser. 05-TFLA, Class K, 6.669s, 2020	758,000	757,994
Ser. 98-C1, Class F, 6s, 2040	1,880,000	1,827,416
Ser. 02-CP5, Class M, 5 1/4s, 2035	691,000	616,754
Deutsche Mortgage & Asset Receiving Corp.		
Ser. 98-C1, Class X, IO, 0.981s, 2031	54,600,224	919,249
DLJ Commercial Mortgage Corp.		
Ser. 98-CF2, Class B4, 6.04s, 2031	552,708	549,497
Ser. 98-CF2, Class B5, 5.95s, 2031	1,771,365	1,605,529
DLJ Mortgage Acceptance Corp. 144A		
Ser. 97-CF1, Class B2, 8.16s, 2030	539,000	431,200
Ser. 97-CF1, Class B1, 7.91s, 2030	519,000	524,316
European Loan Conduit FRB Ser. 6X, Class E, 6.49s, 2010 (United Kingdom)	GBP 696,718	1,302,585
European Loan Conduit 144A		
FRB Ser. 6A, Class F, 6.99s, 2010 (United Kingdom)	GBP 251,440	470,187
FRB Ser. 22A, Class D, 5.59s, 2014 (Ireland)	GBP 995,000	1,857,466
European Prime Real Estate PLC 144A FRB Ser. 1-A, Class D, 5.608s, 2014 (United Kingdom)	GBP 722,792	1,349,039

38

COLLATERALIZED MORTGAGE OBLIGATIONS (13.5%)* *continued*

	Principal amount	Value
Fannie Mae		
IFB Ser. 06-70, Class BS, 14.3s, 2036	\$ 634,000	\$ 735,404
Ser. 06-20, Class IP, IO, 8s, 2030	800,059	169,533
IFB Ser. 06-62, Class PS, 7.59s, 2036	1,624,889	1,714,385
Ser. 04-W8, Class 3A, 7 1/2s, 2044	838,664	874,903
Ser. 04-W2, Class 5A, 7 1/2s, 2044	2,930,596	3,055,776
Ser. 04-T2, Class 1A4, 7 1/2s, 2043	709,323	739,409
Ser. 03-W4, Class 4A, 7 1/2s, 2042	221,521	229,781
Ser. 03-W3, Class 1A3, 7 1/2s, 2042	456,091	474,198
Ser. 02-T19, Class A3, 7 1/2s, 2042	578,864	601,893
Ser. 03-W2, Class 1A3, 7 1/2s, 2042	9,255	9,623
Ser. 02-W1, Class 2A, 7 1/2s, 2042	922,527	954,007
Ser. 02-14, Class A2, 7 1/2s, 2042	4,214	4,372

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Ser. 01-T10, Class A2, 7 1/2s, 2041	579,929	600,675
Ser. 02-T4, Class A3, 7 1/2s, 2041	2,518	2,608
Ser. 01-T8, Class A1, 7 1/2s, 2041	6,538	6,760
Ser. 01-T7, Class A1, 7 1/2s, 2041	2,288,033	2,364,359
Ser. 01-T3, Class A1, 7 1/2s, 2040	352,506	364,525
Ser. 01-T1, Class A1, 7 1/2s, 2040	1,114,973	1,154,809
Ser. 99-T2, Class A1, 7 1/2s, 2039	449,524	468,280
Ser. 00-T6, Class A1, 7 1/2s, 2030	220,305	228,424
Ser. 02-W7, Class A5, 7 1/2s, 2029	376,992	391,667
Ser. 01-T4, Class A1, 7 1/2s, 2028	1,038,634	1,084,614
Ser. 02-W3, Class A5, 7 1/2s, 2028	2,020	2,096
IFB Ser. 06-76, Class QB, 7 1/2s, 2036	4,007,000	4,199,133
IFB Ser. 06-60, Class TK, 7.06s, 2036	1,137,938	1,128,425
Ser. 04-W12, Class 1A3, 7s, 2044	961,935	990,610
Ser. 01-T10, Class A1, 7s, 2041	2,290,285	2,345,721
IFB Ser. 06-63, Class SP, 6.99s, 2036	4,365,652	4,484,676
IFB Ser. 06-70, Class PK, 6.2s, 2036	1,100,000	1,093,952
IFB Ser. 06-60, Class CS, 5.291s, 2036	1,884,082	1,688,132
IFB Ser. 05-74, Class CS, 5.211s, 2035	1,346,164	1,295,672
IFB Ser. 05-74, Class CP, 5.005s, 2035	1,180,814	1,141,966
IFB Ser. 05-76, Class SA, 5.005s, 2034	1,671,699	1,596,794
IFB Ser. 06-27, Class SP, 4.822s, 2036	1,553,000	1,489,097
IFB Ser. 06-8, Class HP, 4.822s, 2036	1,935,054	1,843,932
IFB Ser. 06-8, Class WK, 4.822s, 2036	2,935,321	2,765,526
IFB Ser. 05-106, Class US, 4.822s, 2035	2,879,945	2,779,389
IFB Ser. 05-99, Class SA, 4.822s, 2035	1,406,475	1,344,574
IFB Ser. 05-114, Class SP, 4.771s, 2036	815,703	756,565
IFB Ser. 05-95, Class CP, 3.896s, 2035	223,341	211,269
IFB Ser. 05-95, Class OP, 3.722s, 2035	704,000	608,351
IFB Ser. 05-93, Class AS, 3.412s, 2034	622,951	543,306
IFB Ser. 05-83, Class QP, 3.393s, 2034	451,117	399,352
IFB Ser. 02-36, Class QH, IO, 2.665s, 2029	384,862	4,820
IFB Ser. 03-66, Class SA, IO, 2.265s, 2033	2,644,216	192,533
IFB Ser. 03-48, Class S, IO, 2.165s, 2033	1,189,947	85,527
IFB Ser. 05-56, Class TP, 1.995s, 2033	535,006	459,155
IFB Ser. 05-113, Class DI, IO, 1.845s, 2036	1,849,675	99,197
IFB Ser. 04-51, Class S0, IO, 1.665s, 2034	654,531	31,704

39

COLLATERALIZED MORTGAGE OBLIGATIONS (13.5%)* *continued*

	Principal amount	Value
Fannie Mae		
IFB Ser. 05-95, Class CI, IO, 1.315s, 2035	\$ 2,964,143	\$ 159,723
IFB Ser. 05-84, Class SG, IO, 1.315s, 2035	5,209,333	275,704
IFB Ser. 05-87, Class SG, IO, 1.315s, 2035	6,518,628	298,648

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IFB Ser. 05-69, Class AS, IO, 1.315s, 2035	1,366,934	67,706
IFB Ser. 04-92, Class S, IO, 1.315s, 2034	4,209,018	211,768
IFB Ser. 05-104, Class SI, IO, 1.315s, 2033	6,842,497	353,107
IFB Ser. 05-83, Class QI, IO, 1.305s, 2035	746,312	45,081
IFB Ser. 05-92, Class SC, IO, 1.295s, 2035	6,944,207	360,785
IFB Ser. 06-20, Class PI, IO, 1.295s, 2030	6,936,877	243,636
IFB Ser. 05-83, Class SL, IO, 1.285s, 2035	13,423,130	614,057
IFB Ser. 06-20, Class IG, IO, 1.265s, 2036	18,701,112	782,311
IFB Ser. 06-8, Class NS, IO, 1.245s, 2036	8,916,714	450,410
IFB Ser. 06-45, Class SM, IO, 1.215s, 2036	4,580,221	210,406
IFB Ser. 06-20, Class IB, IO, 1.205s, 2036	8,015,283	321,894
IFB Ser. 05-95, Class OI, IO, 1.205s, 2035	419,706	25,194
IFB Ser. 06-42, Class CI, IO, 1.165s, 2036	14,819,600	681,061
IFB Ser. 03-112, Class SA, IO, 1.115s, 2028	2,599,274	76,971
IFB Ser. 06-58, Class SI, IO, 1.155s, 2036	8,763,679	411,861
Ser. 03-W17, Class 12, IO, 1.157s, 2033	5,875,214	171,061
Ser. 03-W10, Class 1A, IO, 1.058s, 2043	8,660,785	121,795
Ser. 03-W10, Class 3A, IO, 1.038s, 2043	10,341,021	161,716
IFB Ser. 05-67, Class BS, IO, 0.765s, 2035	3,464,613	107,186
IFB Ser. 05-74, Class SE, IO, 0.715s, 2035	7,612,647	190,525
Ser. 00-T6, IO, 0.754s, 2030	9,349,879	134,405
IFB Ser. 05-87, Class SE, IO, 0.665s, 2035	25,798,643	628,742
IFB Ser. 04-54, Class SW, IO, 0.615s, 2033	1,601,020	37,794
Ser. 02-T18, IO, 0.524s, 2042	16,216,196	187,254
Ser. 05-113, Class DO, PO (Principal only), zero %, 2036	284,318	223,576
Ser. 363, Class 1, PO, zero %, 2035	8,564,964	6,046,771
Ser. 361, Class 1, PO, zero %, 2035	6,303,905	4,791,389
Ser. 04-38, Class AO, PO, zero %, 2034	1,122,190	795,352
Ser. 342, Class 1, PO, zero %, 2033	545,720	407,414
Ser. 02-82, Class TO, PO, zero %, 2032	413,424	315,300
Ser. 04-61, Class CO, PO, zero %, 2031	919,000	683,075
Ser. 99-51, Class N, PO, zero %, 2029	167,595	134,233
Ser. 99-52, Class MO, PO, zero %, 2026	1,072	1,047
FRB Ser. 05-117, Class GF, zero %, 2036	682,788	643,101
Federal Home Loan Mortgage Corp.		
Structured Pass-Through Securities		
Ser. T-59, Class 1A3, 7 1/2s, 2043	944,447	986,320
Ser. T-58, Class 4A, 7 1/2s, 2043	13,072	13,578
Ser. T-41, Class 3A, 7 1/2s, 2032	2,259,651	2,341,721
Ser. T-60, Class 1A2, 7s, 2044	4,358,775	4,484,473
Ser. T-57, Class 1AX, IO, 0.460s, 2043	5,236,402	50,382
FFCA Secured Lending Corp. Ser. 00-1, Class X, IO, 1.382s, 2020	11,554,453	635,561
First Union Commercial Mortgage Trust 144A		
Ser. 99-C1, Class G, 5.35s, 2035	891,000	553,708
First Union-Lehman Brothers Commercial Mortgage		
Trust II Ser. 97-C2, Class G, 7 1/2s, 2029	1,219,000	1,321,553

COLLATERALIZED MORTGAGE OBLIGATIONS (13.5%)* *continued*

	Principal amount	Value
Freddie Mac		
IFB Ser. 3153, Class UK, 8.227s, 2036	\$ 98,715	\$ 103,787
Ser. 3114, Class BL, IO, 7 1/2s, 2030	317,215	61,613
IFB Ser. 2963, Class SV, 7 1/8s, 2034	613,000	613,742
IFB Ser. 3182, Class PS, 7 1/8s, 2032	471,000	491,773
IFB Ser. 2996, Class SA, 5.036s, 2035	990,950	885,042
IFB Ser. 3081, Class DC, 5.001s, 2035	1,141,698	1,060,974
IFB Ser. 3114, Class GK, 4.925s, 2036	754,428	704,281
IFB Ser. 2979, Class AS, 4.588s, 2034	502,638	472,008
IFB Ser. 3072, Class SA, 4.441s, 2035	437,110	392,187
IFB Ser. 3072, Class SM, 4.111s, 2035	703,821	622,304
IFB Ser. 3072, Class SB, 3.965s, 2035	664,399	583,997
IFB Ser. 3065, Class DC, 3.754s, 2035	1,708,217	1,490,324
IFB Ser. 3050, Class SA, 3.453s, 2034	1,227,461	1,068,184
IFB Ser. 2828, Class TI, IO, 1.681s, 2030	1,657,306	92,706
IFB Ser. 3033, Class SF, IO, 1.601s, 2035	2,445,019	87,104
IFB Ser. 3028, Class ES, IO, 1.381s, 2035	8,240,941	501,223
IFB Ser. 3042, Class SP, IO, 1.381s, 2035	1,934,033	118,363
IFB Ser. 3045, Class DI, IO, 1.361s, 2035	17,869,596	707,954
IFB Ser. 3054, Class CS, IO, 1.331s, 2035	1,921,971	82,285
IFB Ser. 3107, Class DC, IO, 1.501s, 2035	8,633,604	521,281
IFB Ser. 3066, Class SI, IO, 1.331s, 2035	5,572,868	325,996
IFB Ser. 3031, Class BI, IO, 1.321s, 2035	1,577,003	98,375
IFB Ser. 3067, Class SI, IO, 1.281s, 2035	6,482,045	393,813
IFB Ser. 3114, Class TS, IO, 1.281s, 2030	11,020,785	449,500
IFB Ser. 3114, Class BI, IO, 1.281s, 2030	4,731,409	179,096
IFB Ser. 3174, Class BS, IO, 1.151s, 2036	5,436,173	202,737
IFB Ser. 3065, Class DI, IO, 1.421s, 2035	1,242,863	71,360
IFB Ser. 3081, Class DI, IO, 1.111s, 2035	1,617,131	75,588
IFB Ser. 3016, Class SP, IO, 0.741s, 2035	1,635,371	44,462
IFB Ser. 3016, Class SQ, IO, 0.741s, 2035	3,904,528	112,255
IFB Ser. 2937, Class SY, IO, 0.731s, 2035	1,511,276	39,671
IFB Ser. 2815, Class S, IO, 0.631s, 2032	3,805,664	91,564
Ser. 236, PO, zero %, 2036	1,492,286	1,112,898
Ser. 3045, Class DO, PO, zero %, 2035	1,366,510	1,043,042
Ser. 231, PO, zero %, 2035	8,683,930	6,200,768
Ser. 228, PO, zero %, 2035	6,263,568	4,661,575
Ser. 215, PO, zero %, 2031	335,647	274,811
Ser. 2235, PO, zero %, 2030	398,802	305,582
FRB Ser. 3022, Class TC, zero %, 2035	301,807	349,483
FRB Ser. 2986, Class XT, zero %, 2035	182,935	198,313
FRB Ser. 3046, Class WF, zero %, 2035	436,710	434,241
FRB Ser. 3054, Class XF, zero %, 2034	187,833	193,879

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GE Capital Commercial Mortgage Corp. 144A		
Ser. 00-1, Class F, 7.513s, 2033	251,000	264,626
Ser. 00-1, Class G, 6.131s, 2033	1,159,000	1,017,294
GMAC Commercial Mortgage Securities, Inc. 144A		
Ser. 99-C3, Class G, 6.974s, 2036	1,022,427	1,020,845

41

COLLATERALIZED MORTGAGE OBLIGATIONS (13.5%)* *continued*

	Principal amount	Value
Government National Mortgage Association		
IFB Ser. 05-66, Class SP, 2.938s, 2035	\$ 1,038,563	\$ 898,950
IFB Ser. 06-26, Class S, IO, 1.122s, 2036	2,512,375	108,278
IFB Ser. 05-65, Class SI, IO, .972s, 2035	4,177,597	152,282
IFB Ser. 05-68, Class SI, IO, .922s, 2035	13,825,404	548,418
IFB Ser. 06-14, Class S, IO, 0.872s, 2036	4,154,707	138,615
IFB Ser. 05-51, Class SJ, IO, 0.822s, 2035	4,101,635	151,541
IFB Ser. 05-68, Class S, IO, 0.822s, 2035	8,089,841	290,241
Ser. 98-2, Class EA, PO, zero %, 2028	161,606	122,677
GS Mortgage Securities Corp. II 144A FRB		
Ser. 03-FL6A, Class L, 8.619s, 2015	417,000	419,346
LB Commercial Conduit Mortgage Trust 144A		
Ser. 99-C1, Class G, 6.41s, 2031	492,082	454,044
Ser. 98-C4, Class J, 5.6s, 2035	965,000	851,019
Lehman Brothers Floating Rate Commercial Mortgage		
Trust 144A FRB Ser. 03-LLFA, Class L, 9.08s, 2014	1,181,000	1,182,215
Lehman Mortgage Trust, IFB Ser. 06-3, Class 1A7, IO,		
0.015s, 2036	1,612,261	6,297
Lehman Mortgage Trust, Ser. 06-4, Class 1A3, IO, 5s, 2036	2,485,000	15,919
Mach One Commercial Mortgage Trust 144A		
Ser. 04-1A, Class J, 5.45s, 2040	1,154,000	931,314
Ser. 04-1A, Class K, 5.45s, 2040	411,000	322,796
Ser. 04-1A, Class L, 5.45s, 2040	187,000	132,697
Merrill Lynch Mortgage Investors, Inc. Ser. 96-C2,		
Class JS, IO, 2.147s, 2028	6,385,451	317,133
Mezz Cap Commercial Mortgage Trust 144A Ser. 04-C1,		
Class X, IO, 8.049s, 2037	1,433,428	520,793
Morgan Stanley Capital I Ser. 98-CF1, Class E,		
7.35s, 2032	2,455,000	2,510,561
Morgan Stanley Capital I 144A Ser. 04-RR, Class F7, 6s, 2039	3,360,000	2,335,240
Mortgage Capital Funding, Inc.		
FRB Ser. 98-MC2, Class E, 7.095s, 2030	459,501	469,153
Ser. 97-MC2, Class X, IO, 1.419s, 2012	5,215,548	40,134
Permanent Financing PLC FRB Ser. 8, Class 2C, 5.7s,		
2042 (United Kingdom)	1,112,000	1,111,709
PNC Mortgage Acceptance Corp. 144A Ser. 00-C1,		

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Class J, 6 5/8s, 2010		285,000	266,267
Quick Star PLC FRB Ser. 1, Class D, 5.59s, 2011 (United Kingdom)	GBP	644,271	1,202,724
SBA CMBS Trust 144A Ser. 05-1A, Class E, 6.706s, 2035 STRIPS 144A	\$	595,000	587,271
Ser. 03-1A, Class M, 5s, 2018 (Cayman Islands)		316,000	262,280
Ser. 03-1A, Class N, 5s, 2018 (Cayman Islands)		376,000	285,789
Ser. 04-1A, Class M, 5s, 2018 (Cayman Islands)		345,000	285,380
Ser. 04-1A, Class N, 5s, 2018 (Cayman Islands)		325,000	247,203
Titan Europe PLC 144A			
FRB Ser. 05-CT2A, Class E, 5.763s, 2014 (Ireland)	GBP	674,000	1,258,223
FRB Ser. 05-CT1A, Class D, 5.702s, 2014 (Ireland)	GBP	1,228,269	2,292,932
FRB Ser. 04-2A, Class D, 3.992s, 2014 (Ireland)	EUR	686,117	875,485
FRB Ser. 04-2A, Class C, 3.592s, 2014 (Ireland)	EUR	308,015	393,027

42

COLLATERALIZED MORTGAGE OBLIGATIONS (13.5%)* *continued*

	Principal amount	Value
URSUS EPC 144A FRB Ser. 1-A, Class D, 5.64s, 2012 (Ireland)	GBP 684,793	\$ 1,278,371
Wachovia Bank Commercial Mortgage Trust 144A FRB Ser. 05-WL5A, Class L, 8.669s, 2018	\$ 917,000	909,352
Total collateralized mortgage obligations (cost \$181,206,083)		\$ 177,116,455

ASSET-BACKED SECURITIES (12.7%)*

	Principal amount	Value
Americredit Automobile Receivables Trust 144A Ser. 05-1, Class E, 5.82s, 2012	\$ 557,594	\$ 556,953
Amerquest Finance NIM Trust 144A Ser. 04-RN9, Class N2, 10s, 2034 (Cayman Islands)	516,977	480,789
Arcap REIT, Inc. 144A Ser. 03-1A, Class E, 7.11s, 2038	743,000	762,227
Ser. 04-1A, Class E, 6.42s, 2039	420,000	408,365
Asset Backed Securities Corp. Home Equity Loan Trust 144A		
FRB Ser. 06-HE2, Class M10, 7.885s, 2036	1,001,000	901,538
FRB Ser. 06-HE2, Class M11, 7.885s, 2036	886,000	720,385
Aviation Capital Group Trust 144A FRB Ser. 03-2A, Class G1, 6.078s, 2033	553,064	553,885
Bank One Issuance Trust FRB Ser. 03-C4, Class C4, 6.399s, 2011	740,000	751,027
Bear Stearns Asset Backed Securities NIM Trust 144A		

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Ser. 04-HE10, Class A1, 4 1/4s, 2034 (Cayman Islands)	25,421	25,262
Bear Stearns Asset Backed Securities, Inc.		
Ser. 04-FR3, Class M6, 8.635s, 2034	507,000	506,366
FRB Ser. 06-PC1, Class M9, 7.135s, 2035	364,000	296,774
Bear Stearns Asset Backed Securities, Inc. 144A FRB		
Ser. 06-HE2, Class M10, 7.635s, 2036	552,000	499,905
Bombardier Capital Mortgage Securitization Corp.		
Ser. 00-A, Class A4, 8.29s, 2030	1,693,967	1,217,009
Ser. 00-A, Class A2, 7.575s, 2030	307,490	214,172
Ser. 99-B, Class A4, 7.3s, 2016	1,447,533	971,047
Ser. 99-B, Class A3, 7.18s, 2015	2,474,127	1,631,764
FRB Ser. 00-A, Class A1, 5.529s, 2030	324,357	184,884
Broadhollow Funding, LLC 144A FRB Ser. 04-A, Class Sub, 6.57s, 2009	1,174,000	1,187,618
Capital Auto Receivables Asset Trust 144A Ser. 06-1, Class D, 7.16s, 2013	500,000	496,523
CARSSX Finance, Ltd. 144A		
FRB Ser. 04-AA, Class B4, 10.869s, 2011 (Cayman Islands)	330,105	344,726
FRB Ser. 04-AA, Class B3, 8.719s, 2011 (Cayman Islands)	56,179	57,426

43

ASSET-BACKED SECURITIES (12.7%)* *continued*

	Principal amount	Value
Chase Credit Card Master Trust FRB Ser. 03-3, Class C, 6.410s, 2010	\$ 860,000	\$ 874,458
CHEC NIM Ltd., 144A		
Ser. 04-2, Class N2, 8s, 2034 (Cayman Islands)	56,273	56,020
Ser. 04-2, Class N3, 8s, 2034 (Cayman Islands)	112,000	106,450
Citigroup Mortgage Loan Trust, Inc.		
FRB Ser. 06-WMC1, Class M10, 8.885s, 2035	177,000	158,643
FRB Ser. 05-HE4, Class M11, 7.885s, 2035	599,000	499,791
FRB Ser. 05-HE4, Class M12, 7.435s, 2035	899,000	721,518
Conseco Finance Securitizations Corp.		
Ser. 01-4, Class B1, 9.4s, 2033	1,434	7
Ser. 00-2, Class A5, 8.85s, 2030	2,220,000	1,865,224
Ser. 00-2, Class A4, 8.48s, 2030	127,514	126,957
Ser. 00-4, Class A6, 8.31s, 2032	7,133,000	6,064,327
Ser. 00-5, Class A7, 8.2s, 2032	1,053,000	890,312
Ser. 00-1, Class A5, 8.06s, 2031	2,313,481	2,001,568
Ser. 00-4, Class A5, 7.97s, 2032	470,000	373,593
Ser. 00-5, Class A6, 7.96s, 2032	463,000	393,294

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Ser. 00-4, Class A4, 7.73s, 2031	1,033,728	973,772
Ser. 01-3, Class M2, 7.44s, 2033	298,489	26,864
Ser. 01-4, Class A4, 7.36s, 2033	523,000	504,883
Ser. 00-6, Class A5, 7.27s, 2032	196,900	178,608
FRB Ser. 01-4, Class M1, 7.096s, 2033	573,000	217,740
Ser. 01-1, Class A5, 6.99s, 2032	1,709,000	1,556,397
Ser. 01-3, Class A4, 6.91s, 2033	5,996,000	5,642,668
Ser. 02-1, Class A, 6.681s, 2033	2,825,980	2,840,927
Ser. 01-3, Class A3, 5.79s, 2033	10,088	10,072
Consumer Credit Reference IDX Securities 144A FRB		
Ser. 02-1A, Class A, 7.437s, 2007	1,494,000	1,518,278
Countrywide Asset Backed Certificates 144A		
Ser. 04-6N, Class N1, 6 1/4s, 2035	100,800	100,336
Ser. 04-BC1N, Class Note, 5 1/2s, 2035	51,140	50,195
Countrywide Home Loans		
FRB Ser. 05-22, Class 2A1, 5.304s, 2035	846,405	837,676
Ser. 06-0A5, Class X, IO, 1.362s, 2046	9,827,980	482,554
Ser. 05-2, Class 2X, IO, zero %, 2035	13,258,588	302,462
Countrywide Home Loans 144A IFB Ser. 05-R1, Class 1AS, IO, 0.747s, 2035 (SN)	8,462,983	169,260
Crest, Ltd. 144A Ser. 03-2A, Class E2, 8s, 2038 (Cayman Islands)	838,000	805,855
DB Master Finance, LLC 144A Ser. 06-1, Class M1, 8.285s, 2031	545,000	552,502
First Chicago Lennar Trust 144A Ser. 97-CHL1, Class E, 7.636s, 2039	3,460,001	3,508,116
First Franklin Mortgage Loan Asset Backed Certificates FRB Ser. 04-FF7, Class A4, 5.685s, 2034	13,045,184	13,065,739
Fremont NIM Trust 144A		
Ser. 04-3, Class B, 7 1/2s, 2034	84,469	78,874
Ser. 04-3, Class A, 4 1/2s, 2034	70,176	69,785

44

ASSET-BACKED SECURITIES (12.7%)* *continued*

	Principal amount	Value
Gears Auto Owner Trust Ser. 05-AA, Class E1, 8.22s, 2012	\$ 1,347,000	\$ 1,327,812
Granite Mortgages PLC		
FRB Ser. 02-1, Class 1C, 6.8s, 2042 (United Kingdom)	620,808	623,680
FRB Ser. 03-2, Class 3C, 6.287s, 2043 (United Kingdom)	GBP 2,090,000	4,011,247
FRB Ser. 03-2, Class 2C1, 5.2s, 2043 (United Kingdom)	EUR 2,785,000	3,673,063
Green Tree Financial Corp.		
Ser. 94-6, Class B2, 9s, 2020	\$ 1,703,968	1,488,625
Ser. 94-4, Class B2, 8.6s, 2019	689,469	497,705
Ser. 93-1, Class B, 8.45s, 2018	1,392,322	1,322,742

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Ser. 99-5, Class A5, 7.86s, 2030	8,746,000	7,628,251
Ser. 96-8, Class M1, 7.85s, 2027	754,000	633,474
Ser. 95-8, Class B1, 7.3s, 2026	704,416	559,036
Ser. 95-4, Class B1, 7.3s, 2025	726,329	715,888
Ser. 97-6, Class M1, 7.21s, 2029	873,000	654,750
Ser. 95-F, Class B2, 7.1s, 2021	129,863	130,106
Ser. 99-3, Class A7, 6.74s, 2031	1,438,000	1,364,924
Ser. 99-3, Class A5, 6.16s, 2031	63,555	63,952
Greenpoint Manufactured Housing		
Ser. 00-3, Class IA, 8.45s, 2031	3,512,596	3,203,934
Ser. 99-5, Class A4, 7.59s, 2028	104,790	105,908
GS Auto Loan Trust 144A Ser. 04-1, Class D, 5s, 2011	712,336	709,263
GSAMP Trust 144A		
Ser. 04-NIM2, Class N, 4 7/8s, 2034	261,673	260,547
Ser. 04-NIM1, Class N2, zero %, 2034	377,789	278,242
GSMPS Mortgage Loan Trust 144A		
IFB Ser. 05-RP1, Class 1AS, IO, 0.857s, 2035 (SN)	50,516,058	1,341,270
IFB Ser. 06-RP1, Class 1AS, IO, 0.433s, 2036 (SN)	8,193,371	168,016
Guggenheim Structured Real Estate Funding, Ltd. FRB		
Ser. 05-1A, Class E, 7.185s, 2030 (Cayman Islands)	721,000	721,000
Guggenheim Structured Real Estate Funding, Ltd. 144A		
FRB Ser. 05-2A, Class E, 7.385s, 2030		
(Cayman Islands)	729,000	733,884
HASCO NIM Trust 144A Ser. 05-OP1A, Class A, 6 1/4s, 2035	644,581	622,794
Holmes Financing PLC FRB Ser. 8, Class 2C, 6.227s,		
2040 (United Kingdom)	458,000	459,008
LNR CDO, Ltd. 144A		
FRB Ser. 03-1A, Class EFL, 8.4s, 2036		
(Cayman Islands)	1,485,000	1,605,134
FRB Ser. 02-1A, Class FFL, 8.15s, 2037		
(Cayman Islands)	2,440,000	2,440,000
Long Beach Mortgage Loan Trust		
FRB Ser. 06-2, Class M10, 7.885s, 2036	627,000	528,248
Ser. 04-3, Class S1, IO, 4 1/2s, 2006	1,488,459	31,630
Long Beach Mortgage Loan Trust 144A FRB Ser. 06-2,		
Class B, 7.885s, 2036	627,000	490,628
Lothian Mortgages PLC 144A FRB Ser. 3A, Class D,		
5.537s, 2039 (United Kingdom)	GBP 1,700,000	3,173,560
Madison Avenue Manufactured Housing Contract FRB		
Ser. 02-A, Class B1, 8.635s, 2032	\$ 2,025,781	1,418,047

45

ASSET-BACKED SECURITIES (12.7%)* *continued*

Principal amount Value

MASTR Adjustable Rate Mortgages Trust Ser. 04-13,

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Class 3A6, 3.786s, 2034	\$ 554,000	\$ 527,270
MASTR Asset Backed Securities NIM Trust 144A		
Ser. 04-CI5, Class N2, 9s, 2034 (Cayman Islands)	214,317	64,295
Ser. 04-HE1A, Class Note, 5.191s, 2034 (Cayman Islands)	16,342	16,255
MBNA Credit Card Master Note Trust FRB Ser. 03-C5, Class C5, 6.549s, 2010	860,000	875,444
Merrill Lynch Mortgage Investors, Inc.		
Ser. 03-WM3N, Class N1, 8s, 2034	7,355	7,254
FRB Ser. 05-A9, Class 3A1, 5.298s, 2035	1,104,209	1,093,857
Ser. 05-1, Class 1A, 4.762s, 2035	36,949	36,597
Merrill Lynch Mortgage Investors, Inc. 144A		
Ser. 04-FM1N, Class N1, 5s, 2035 (Cayman Islands)	19,712	19,484
Mid-State Trust Ser. 11, Class B, 8.221s, 2038	271,370	264,977
Morgan Stanley ABS Capital I FRB Ser. 04-HE8, Class B3, 8.585s, 2034	458,000	464,829
Morgan Stanley Auto Loan Trust 144A Ser. 04-HB2, Class E, 5s, 2012	291,074	281,270
Morgan Stanley Mortgage Loan Trust Ser. 05-5AR, Class 2A1, 5.408s, 2035	3,542,649	3,528,811
N-Star Real Estate CDO, Ltd. 144A FRB Ser. 04-2A, Class C1, 7.4s, 2039 (Cayman Islands)	500,000	514,141
Navistar Financial Corp. Owner Trust		
Ser. 05-A, Class C, 4.84s, 2014	479,760	469,609
Ser. 04-B, Class C, 3.93s, 2012	205,672	199,560
Oakwood Mortgage Investors, Inc.		
Ser. 99-D, Class A1, 7.84s, 2029	2,215,190	1,921,538
Ser. 00-A, Class A2, 7.765s, 2017	335,104	259,786
Ser. 95-B, Class B1, 7.55s, 2021	542,000	357,720
Ser. 00-D, Class A4, 7.4s, 2030	1,945,000	1,242,818
Ser. 02-B, Class A4, 7.09s, 2032	867,000	756,601
Ser. 99-B, Class A4, 6.99s, 2026	2,376,499	2,067,244
Ser. 01-D, Class A4, 6.93s, 2031	1,562,585	1,096,418
Ser. 01-C, Class A2, 5.92s, 2017	2,359,970	1,227,517
Ser. 02-C, Class A1, 5.41s, 2032	2,943,525	2,478,543
Ser. 01-D, Class A2, 5.26s, 2019	323,452	211,814
Ser. 01-E, Class A2, 5.05s, 2019	2,225,037	1,710,891
Ser. 02-A, Class A2, 5.01s, 2020	706,243	537,018
Oakwood Mortgage Investors, Inc. 144A Ser. 01-B, Class A4, 7.21s, 2030	595,883	519,928
Ocean Star PLC 144A		
FRB Ser. 04-A, Class E, 11.664s, 2018 (Ireland)	1,695,000	1,765,449
FRB Ser. 05-A, Class E, 9.764s, 2012 (Ireland)	466,000	475,600
Option One Mortgage Loan Trust FRB Ser. 05-4, Class M11, 7.885s, 2035	783,000	689,285
Park Place Securities, Inc. FRB Ser. 04-MCW1, Class A2, 5.765s, 2034	4,425,429	4,430,961

ASSET-BACKED SECURITIES (12.7%)* *continued*

	Principal amount	Value
Park Place Securities, Inc. 144A		
FRB Ser. 05-WCW2, Class M11, 7.885s, 2035	\$ 299,000	\$ 225,838
FRB Ser. 04-MHQ1, Class M10, 7.885s, 2034	300,000	275,034
People's Choice Net Interest Margin Note 144A		
Ser. 04-2, Class B, 5s, 2034	180,369	179,699
Permanent Financing PLC		
FRB Ser. 3, Class 3C, 6.45s, 2042 (United Kingdom)	680,000	687,960
FRB Ser. 6, Class 3C, 5.4s, 2042 (United Kingdom) GBP	1,731,000	3,231,431
Residential Asset Securities Corp. Ser. 01-KS3, Class AII, 5.615s, 2031	\$ 7,142,263	7,144,205
Residential Asset Securities Corp. 144A		
FRB Ser. 05-KS10, Class B, 8.135s, 2035	778,000	688,904
Ser. 04-N10B, Class A1, 5s, 2034	76,583	76,248
Residential Asset Securitization Trust IFB		
Ser. 06-A7CB, Class 1A6, IO, 0.165s, 2036	912,621	9,839
Residential Mortgage Securities 144A FRB Ser. 20A, Class B1A, 5.433s, 2038 (United Kingdom) GBP	250,000	464,180
Rural Housing Trust Ser. 87-1, Class D, 6.33s, 2026	\$ 211,864	211,682
SAIL Net Interest Margin Notes 144A		
Ser. 03-3, Class A, 7 3/4s, 2033 (Cayman Islands)	33,837	11,843
Ser. 03-BC2A, Class A, 7 3/4s, 2033 (Cayman Islands)	145,799	14,580
Ser. 03-10A, Class A, 7 1/2s, 2033 (Cayman Islands)	96,609	33,813
Ser. 03-5, Class A, 7.35s, 2033 (Cayman Islands)	25,156	12,578
Ser. 03-8A, Class A, 7s, 2033 (Cayman Islands)	14,179	1,702
Ser. 03-9A, Class A, 7s, 2033 (Cayman Islands)	20,059	2,006
Ser. 03-6A, Class A, 7s, 2033 (Cayman Islands)	6,641	3,321
Ser. 03-7A, Class A, 7s, 2033 (Cayman Islands)	40,481	14,168
Ser. 04-10A, Class A, 5s, 2034 (Cayman Islands)	124,924	124,469
Ser. 04-AA, Class A, 4 1/2s, 2034 (Cayman Islands)	3,568	3,560
Sasco Net Interest Margin Trust 144A		
Ser. 05-WF1A, Class A, 4 3/4s, 2035	96,923	96,372
Ser. 03-BC1, Class B, zero %, 2033 (Cayman Islands)	530,404	63,649
Sharps SP I, LLC Net Interest Margin Trust 144A		
Ser. 04-HS1N, Class Note, 5.92s, 2034 (Cayman Islands)	7,936	7,936
Ser. 04-HE2N, Class NA, 5.43s, 2034 (Cayman Islands)	15,268	15,154
Soundview Home Equity Loan Trust 144A FRB Ser. 05-4, Class M10, 7.885s, 2036	463,000	420,607
South Coast Funding 144A FRB Ser. 3A, Class A2, 6.36s, 2038 (Cayman Islands)	200,000	200,180
Structured Asset Investment Loan Trust FRB		
Ser. 04-9, Class A4, 5.685s, 2034	9,142,274	9,148,805
Structured Asset Investment Loan Trust 144A		

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FRB Ser. 06-BNC2, Class B1, 7.885s, 2036	600,000	534,974
FRB Ser. 05-HE3, Class M11, 7.885s, 2035	858,000	698,904
Structured Asset Receivables Trust 144A FRB Ser. 05-1, 5.575s, 2015	3,501,697	3,500,604
TIAA Real Estate CDO, Ltd. Ser. 03-1A, Class E, 8s, 2038 (Cayman Islands)	904,000	908,570

47

ASSET-BACKED SECURITIES (12.7%)* *continued*

	Principal amount	Value
TIAA Real Estate CDO, Ltd. 144A Ser. 02-1A, Class IV, 6.84s, 2037 (Cayman Islands)	\$ 756,000	\$ 744,594
Wells Fargo Home Equity Trust 144A Ser. 04-2, Class N2, 8s, 2034 (Cayman Islands)	95,673	95,674
Wells Fargo Mortgage Backed Securities Trust Ser. 05-AR16, Class 2A1, 4.945s, 2035	39,909	39,497
Ser. 05-AR13, Class 1A4, IO, 0.742s, 2035	29,600,562	532,161
Whinstone Capital Management, Ltd. 144A FRB Ser. 1A, Class B3, 6.385s, 2044 (United Kingdom)	1,438,000	1,437,955
Whole Auto Loan Trust 144A Ser. 04-1, Class D, 5.6s, 2011	389,259	386,387
Total asset-backed securities (cost \$167,868,032)		\$ 165,742,605

SENIOR LOANS (7.4%)* (c)

	Principal amount	Value
Basic Materials (0.7%)		
Celanese Corp. bank term loan FRN Ser. B, 7.499s, 2011	\$ 525,538	\$ 526,086
Georgia-Pacific Corp. bank term loan FRN Ser. B, 7.24s, 2013	1,641,750	1,639,456
Graphic Packaging Corp. bank term loan FRN Ser. C, 7.922s, 2010	262,187	264,060
Hercules, Inc. bank term loan FRN Ser. B, 7.01s, 2010	792,139	791,545
Huntsman International, LLC bank term loan FRN Ser. B, 7.044s, 2012	1,162,244	1,155,615
Innophos, Inc. bank term loan FRN 7.679s, 2010	451,914	452,479
Nalco Co. bank term loan FRN Ser. B, 7.208s, 2010	517,064	516,030
NewPage Corp. bank term loan FRN Ser. B, 8.499s, 2011	387,058	388,025
Novelis, Inc. bank term loan FRN 7.38s, 2012	344,451	345,850
Novelis, Inc. bank term loan FRN Ser. B, 7.38s, 2012	598,256	600,687
Rockwood Specialties Group, Inc. bank term loan FRN Ser. E, 7.126s, 2012	1,998,721	2,001,220
Smurfit-Stone Container Corp. bank term loan FRN 5.234s, 2010	43,665	43,835
Smurfit-Stone Container Corp. bank term loan FRN		

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Ser. B, 7.589s, 2011	227,214	228,098
Smurfit-Stone Container Corp. bank term loan FRN		
Ser. C, 7.54s, 2011	106,294	106,707
		9,059,693

Capital Goods (0.3%)

Allied Waste Industries, Inc. bank term loan FRN		
Ser. A, 5.334s, 2012	29,934	29,766
Allied Waste Industries, Inc. bank term loan FRN		
Ser. B, 6.982s, 2012	76,390	75,968
Graham Packaging Corp. bank term loan FRN Ser. B, 7.747s, 2011	791,960	793,445
Hexcel Corp. bank term loan FRN Ser. B, 7.188s, 2012	728,935	728,935
Mueller Group, Inc. bank term loan FRN Ser. B, 7.465s, 2012	923,823	927,617

48

SENIOR LOANS (7.4%)* (c) *continued*

	Principal amount	Value
Capital Goods <i>continued</i>		
Solo Cup Co. bank term loan FRN 7.823s, 2011	\$ 537,377	\$ 538,832
Terex Corp. bank term loan FRN Ser. D, 7.231s, 2013	100,000	100,125
Transdigm, Inc. bank term loan FRN 7.449s, 2013	450,000	450,985
		3,645,673

Communication Services (0.6%)

Centennial Cellular Operating Co., LLC bank term loan FRN Ser. B, 7.68s, 2011	1,761,369	1,765,457
Consolidated Communications Holdings bank term loan FRN Ser. D, 7.165s, 2011	297,884	296,209
Fairpoint Communications, Inc. bank term loan FRN Ser. B, 7 1/4s, 2012	541,884	538,497
Intelsat, Ltd. bank term loan FRN Ser. B, 7.758s, 2013	1,200,000	1,203,000
Level 3 Communications, Inc. bank term loan FRN 8.413s, 2011	318,000	318,000
Madison River Capital, LLC bank term loan FRN Ser. B, 7.73s, 2012	1,219,013	1,219,013
PanAmSat Corp. bank term loan FRN Ser. B, 7.981s, 2013	1,200,000	1,203,857
Syniverse Holdings, Inc. bank term loan FRN Ser. B, 7 1/4s, 2012	1,037,570	1,036,273
Windstream Corp. bank term loan FRN Ser. B, 5 3/4s, 2013	580,000	581,709
		8,162,015

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Consumer Cyclicals (1.7%)

Adams Outdoor Advertising, LP bank term loan FRN

7.265s, 2012	830,761	831,453
Boise Cascade Corp. bank term loan FRN Ser. D, 7.182s, 2011	1,145,391	1,146,041
Boyd Gaming Corp. bank term loan FRN Ser. B, 6.804s, 2010	1,237,374	1,235,054
CCM Merger, Inc. bank term loan FRN Ser. B, 7.417s, 2012	1,187,011	1,180,779
Coinmach Service Corp. bank term loan FRN Ser. B-1, 7.781s, 2012	548,890	551,864
Cooper Tire & Rubber Co. bank term loan FRN Ser. B, 8s, 2012	755,167	757,763
Cooper Tire & Rubber Co. bank term loan FRN Ser. C, 8s, 2012	1,214,833	1,219,010
Custom Building Products bank term loan FRN Ser. B, 7.749s, 2011	1,181,498	1,184,452
Dex Media West, LLC bank term loan FRN Ser. B1, 6.731s, 2010	998,374	991,718
Dex Media West, LLC/Dex Media Finance Co. bank term loan FRN Ser. B, 6.784s, 2010	493,783	490,360
Goodyear Tire & Rubber Co. (The) bank term loan FRN 7.954s, 2010	465,000	466,550
Landsource, Inc. bank term loan FRN Ser. B, 7 7/8s, 2010	150,000	150,000
Mega Bloks, Inc. bank term loan FRN Ser. B, 6.99s, 2012 (Canada)	123,539	123,307
Neiman Marcus Group, Inc. bank term loan FRN Ser. B, 7.77s, 2013	712,025	717,010

49

SENIOR LOANS (7.4%)* (c) *continued*

	Principal amount	Value
<i>Consumer Cyclicals continued</i>		
Nortek Holdings, Inc. bank term loan FRN Ser. B, 7.35s, 2011	\$ 394,975	\$ 393,494
Oriental Trading Co. bank term loan FRN 8.231s, 2013	350,000	350,875
Penn National Gaming, Inc. bank term loan FRN Ser. B, 6.911s, 2012	545,875	546,830
PRIMEDIA, Inc. bank term loan FRN Ser. B, 7 5/8s, 2013	297,000	292,471
R.H. Donnelley Finance Corp. bank term loan FRN Ser. A-3, 6.73s, 2009	155,933	154,179
R.H. Donnelley Finance Corp. bank term loan FRN Ser. D, 6.818s, 2011	2,055,524	2,038,182
R.H. Donnelley, Inc. bank term loan FRN Ser. D1, 6.922s, 2011	776,061	770,240
Raycom Media, Inc. bank term loan FRN Ser. B, 7s, 2013	795,846	789,877
Sealy Corp. bank term loan FRN Ser. D, 7.092s, 2012	443,046	442,908

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Standard-Pacific Corp. bank term loan FRN Ser. B, 6.671s, 2013	199,999	195,749
Sun Media Corp. bank term loan FRN Ser. B, 7.126s, 2009 (Canada)	300,582	300,080
Trump Hotel & Casino Resort, Inc. bank term loan FRN Ser. B-1, 8.03s, 2012	167,977	168,712
Trump Hotel & Casino Resort, Inc. bank term loan FRN Ser. DD, 5.62s, 2012 (U)	168,500	169,237
TRW Automotive, Inc. bank term loan FRN Ser. B, 7.188s, 2010	1,045,793	1,043,178
TRW Automotive, Inc. bank term loan FRN Ser. B2, 6.813s, 2010	234,820	234,820
Venetian Casino Resort, LLC bank term loan FRN Ser. B, 7 1/4s, 2011	1,012,507	1,010,134
Venetian Casino Resort, LLC bank term loan FRN Ser. DD, 7 1/4s, 2011	208,764	208,275
Veterinary Centers of America, Inc. bank term loan FRN Ser. B, 6 7/8s, 2011	495,895	495,895
Visant Holding Corp. bank term loan FRN Ser. C, 7.068s, 2010	1,056,773	1,060,736
Wembley, Inc. bank term loan FRN 6.99s, 2011 (United Kingdom)	247,500	247,036
William Carter Holdings Co. (The) bank term loan FRN Ser. B, 6.702s, 2012	196,947	196,290
		22,154,559

Consumer Staples (2.2%)

Affiliated Computer Services, Inc. bank term loan FRN Ser. B2, 7.481s, 2013	100,000	99,875
Affinion Group, Inc. bank term loan FRN Ser. B, 7.931s, 2013	1,924,695	1,931,313
Affinity Group Holdings bank term loan FRN Ser. B2, 7.85s, 2009	224,198	225,039
AMC Entertainment, Inc. bank term loan FRN Ser. B, 7.475s, 2013	348,250	349,121

50

SENIOR LOANS (7.4%)* (c) *continued*

	Principal amount	Value
Consumer Staples <i>continued</i>		
Ashtead Group PLC bank term loan FRN Ser. B, 6.938s, 2009 (United Kingdom)	\$ 643,500	\$ 642,293
Avis Budget Car Rental bank term loan FRN Ser. B, 6.35s, 2012	700,000	693,438

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Brand Services, Inc. bank term loan FRN 7.464s, 2009	249,371	249,371
Burger King Corp. bank term loan FRN Ser. B-1, 7s, 2013	350,254	348,832
Burlington Coat Factory Warehouse Corp. bank term loan FRN Ser. B, 7.53s, 2013	698,250	678,175
Cablevision Systems Corp. bank term loan FRN Ser. B, 7.034s, 2013	2,144,625	2,131,015
CBRL Group, Inc. bank term loan FRN Ser. B, 6.63s, 2013	306,428	303,977
CBRL Group, Inc. bank term loan FRN Ser. DD, 5 3/4s, 2007 (U)	42,724	42,243
Cebridge Connections, Inc. bank term loan FRN Ser. B, 7.739s, 2013	650,000	645,357
Century Cable Holdings bank term loan FRN 10 1/4s, 2009	1,220,000	1,169,021
Charter Communications bank term loan FRN Ser. B, 7.755s, 2013	1,600,254	1,602,019
Cinemark, Inc. bank term loan FRN Ser. C, 7.26s, 2011	494,937	494,782
DirectTV Holdings, LLC bank term loan FRN Ser. B, 6.9s, 2013	1,363,224	1,361,141
Domino's, Inc. bank term loan FRN Ser. B, 6.978s, 2010	785,020	784,693
Gray Television, Inc. bank term loan FRN Ser. B, 7.01s, 2012	248,750	248,439
Insight Midwest, LP/Insight Capital, Inc. bank term loan FRN 7 3/8s, 2009	136,500	136,493
Jack-in-the-Box, Inc. bank term loan FRN 6.748s, 2008	841,774	843,527
Jean Coutu Group, Inc. bank term loan FRN Ser. B, 7 5/8s, 2011 (Canada)	954,144	954,795
Mediacom Communications Corp. bank term loan FRN Ser. C, 7.094s, 2015	987,500	982,210
Mediacom Communications Corp. bank term loan FRN Ser. DD, 7.38s, 2015	240,000	238,700
MGM Studios, Inc. bank term loan FRN Ser. B, 7.749s, 2011	1,215,965	1,217,106
Olympus Cable Holdings, LLC bank term loan FRN Ser. B, 10 1/4s, 2010	735,000	704,337
Prestige Brands, Inc. bank term loan FRN Ser. B, 7.23s, 2011	952,107	952,901
Prestige Brands, Inc. bank term loan FRN Ser. B-1, 7.664s, 2011	412,680	413,023
Regal Cinemas, Inc. bank term loan FRN Ser. B, 7.488s, 2010	1,209,917	1,202,629
Reynolds American, Inc. bank term loan FRN Ser. B, 7.256s, 2012	500,000	502,032
Six Flags, Inc. bank term loan FRN Ser. B, 7.609s, 2009	808,189	813,673
Spanish Broadcasting Systems, Inc. bank term loan FRN 7 1/4s, 2012	791,980	790,000
Spectrum Brands, Inc. bank term loan FRN Ser. B, 8.334s, 2013	1,130,695	1,129,847

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SENIOR LOANS (7.4%)* (c) *continued*

	Principal amount	Value
<i>Consumer Staples continued</i>		
Universal City Development bank term loan FRN Ser. B, 7.378s, 2011	\$ 1,203,661	\$ 1,202,908
Warner Music Group bank term loan FRN Ser. B, 7.311s, 2011	960,289	961,130
Young Broadcasting, Inc. bank term loan FRN Ser. B, 7.734s, 2012	1,459,218	1,452,378
		28,497,833

Energy (0.5%)

CR Gas Storage bank term loan FRN 7.033s, 2013	121,212	120,758
CR Gas Storage bank term loan FRN 7.033s, 2013	126,955	126,478
CR Gas Storage bank term loan FRN Ser. B, 7.033s, 2013	665,076	662,582
CR Gas Storage bank term loan FRN Ser. DD, 6 3/4s, 2013 (U)	84,848	84,530
Dresser, Inc. bank term loan FRN 8.65s, 2010	360,000	364,500
EPCO Holding, Inc. bank term loan FRN Ser. C, 7.388s, 2010	594,000	595,949
Key Energy Services, Inc. bank term loan FRN Ser. B, 8.9s, 2012	1,741,250	1,747,054
Meg Energy Corp. bank term loan FRN 7 1/2s, 2013 (Canada)	224,438	224,478
Meg Energy Corp. bank term loan FRN Ser. DD, 6s, 2013 (Canada) (U)	225,000	223,915
Petroleum Geo-Services ASA bank term loan FRN Ser. B, 8s, 2012 (Norway)	100,176	100,627
Targa Resources, Inc. bank term loan FRN 7.33s, 2012	976,492	977,799
Targa Resources, Inc. bank term loan FRN 5.374s, 2012	236,129	236,445
Universal Compression, Inc. bank term loan FRN Ser. B, 7s, 2012	295,006	295,498
Vulcan Energy Corp. bank term loan FRN Ser. B, 6.689s, 2011	815,074	814,055
		6,574,668

Financial (0.4%)

Ameritrade Holding Corp. bank term loan FRN Ser. B, 6.85s, 2013	1,017,405	1,014,607
Capital Automotive bank term loan FRN 7.1s, 2010 (R)	2,246,608	2,245,049
Fidelity National Information Solutions bank term loan FRN Ser. B, 7.099s, 2013	929,942	929,669
Nasdaq Stock Market, Inc (The) bank term loan FRN Ser. B, 6.975s, 2012	537,305	536,364
Nasdaq Stock Market, Inc (The) bank term loan FRN Ser. C, 6.981s, 2012	310,570	310,027
		5,035,716

Health Care (0.5%)

Alderwoods Group, Inc. bank term loan FRN 7.389s, 2009	833,518	833,344
Community Health Systems, Inc. bank term loan FRN Ser. B, 6.97s, 2011	630,775	630,282
DaVita, Inc. bank term loan FRN Ser. B, 7.436s, 2012	418,532	418,943

52

SENIOR LOANS (7.4%)* (c) *continued*

	Principal amount	Value
<i>Health Care continued</i>		
Fresenius Medical Care AG & CO KGAA bank term loan FRN Ser. B, 6.851s, 2013 (Germany)	\$ 184,000	\$ 182,262
Healthsouth Corp. bank term loan FRN Ser. B, 8.52s, 2013	2,350,000	2,343,636
Kinetic Concepts, Inc. bank term loan FRN Ser. B, 7 1/4s, 2011	99,941	100,358
LifePoint, Inc. bank term loan FRN Ser. B, 6.905s, 2012	1,173,412	1,167,709
Psychiatric Solutions, Inc. bank term loan FRN Ser. B, 6.91s, 2012	307,692	307,308
Stewart Enterprises, Inc. bank term loan FRN Ser. B, 6.826s, 2011	212,080	212,080
		6,195,922

Technology (0.3%)

AMI Semiconductor, Inc. bank term loan FRN 6.85s, 2012	1,209,833	1,210,337
Aspect Software, Inc. bank term loan FRN 8 1/2s, 2011	50,000	49,938
Extensity, Inc. bank term loan FRN Ser. B, 7.711s, 2011	50,000	49,969
JDA Software Group, Inc. bank term loan FRN Ser. B, 7.788s, 2013	150,000	150,000
SunGard Data Systems, Inc. bank term loan FRN Ser. B, 7.66s, 2013	1,209,847	1,214,082
UGS Corp. bank term loan FRN Ser. C, 7.35s, 2012	851,448	850,384
		3,524,710

Transportation (0.1%)

Mid Western Aircraft Systems bank term loan FRN Ser. B, 7.746s, 2012	247,500	248,243
Travelcenters of America bank term loan FRN Ser. B, 7.023s, 2011	1,044,750	1,043,705
United Airlines bank term loan FRN Ser. B, 8 5/8s, 2012	568,750	574,793
United Airlines bank term loan FRN Ser. DD, 9 1/8s, 2012	81,250	82,113
		1,948,854

Utilities & Power (0.2%)

El Paso Corp. bank term loan FRN 4.98s, 2009	406,000	406,406
El Paso Corp. bank term loan FRN Ser. B, 8 1/4s, 2009	637,852	638,729
NRG Energy, Inc. bank term loan FRN Ser. B, 7.231s, 2013	1,367,573	1,370,849
		2,415,984

Total senior loans (cost \$97,808,376) \$ 97,215,627

UNITS (0.2%)* (cost \$2,676,027)

	Units	Value
XCL, Ltd. Equity Units (F)	1,327	\$ 2,618,429

53

PREFERRED STOCKS (0.2%)*

	Shares	Value
First Republic Capital Corp. 144A 10.50% pfd.	750	\$ 798,750
Ion Media Networks, Inc. 14.25% cum. pfd. PIK	20	171,000
Rural Cellular Corp. Ser. B, 11.375% cum. pfd.	828	1,001,880
Total preferred stocks (cost \$1,533,744)		\$ 1,971,630

COMMON STOCKS (0.1%)*

	Shares	Value
Coinmach Service Corp. IDS (Income Deposit Securities)	45,911	\$ 774,978
Comdisco Holding Co., Inc.	908	13,874
Contifinancial Corp. Liquidating Trust Units	5,273,336	1,648
Knology, Inc. □	381	3,863
Sterling Chemicals, Inc. □	497	6,913
Sun Healthcare Group, Inc. □	1,662	14,410
USA Mobility, Inc.	27	466
VFB LLC (acquired various dates from 6/21/99 through 12/08/03, cost \$1,311,474) (F) □ □	1,795,382	38,152
WHX Corp. □	36,177	314,740
Total common stocks (cost \$8,984,801)		\$ 1,169,044

CONVERTIBLE PREFERRED STOCKS (□%)*

	Shares	Value
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Emmis Communications Corp. Ser. A, \$3.125

cum. cv. pfd.	4,826	\$ 212,344
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Ion Media Networks, Inc. 144A 9.75%	35	245,000
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Total convertible preferred stocks (cost \$596,736)	\$ 457,344
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CONVERTIBLE BONDS AND NOTES (□%)* (cost \$165,000)

	Principal amount	Value
Manor Care, Inc. 144A cv. sr. notes 2 1/8s, 2035	\$165,000	\$ 194,081

54

PURCHASED OPTIONS OUTSTANDING (0.4%)*

		Contract amount	Expiration date/ strike price	Value
Option on an interest rate swap with Citibank, N.A. London for the right to receive a fixed rate of 4.55% versus the six month EUR-EURIBOR-Telerate maturing on June 8, 2016.	EUR	47,270,000	Jun-11/\$4.56	\$ 1,343,249
Option on an interest rate swap with Lehman Brothers for the right to receive a fixed rate of 4.545% versus the six month EUR-EURIBOR-Telerate maturing on June 9, 2016.	EUR	47,270,000	Jun-11/\$4.55	1,314,900
Option on an interest rate swap with Citibank, N.A. London for the right to pay a fixed rate of 4.55% versus the six month EUR-EURIBOR-Telerate maturing on June 8, 2016.	EUR	47,270,000	Jun-11/ \$4.56	1,106,808
Option on an interest rate swap with Lehman Brothers Special Financing, Inc. for the right to pay a fixed rate swap of 4.545% semi-annually versus the six month EUR-EURIBOR-Telerate maturing June 9, 2016.	EUR	47,270,000	Jun-11/\$4.55	1,103,792

Total purchased options outstanding (cost \$4,938,590)	\$ 4,868,749
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WARRANTS (□%)* □

Expiration date	Strike price	Warrants	Value
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Dayton Superior Corp. 144A	6/15/09	.01	1,980	\$ 20
MDP Acquisitions PLC 144A (Ireland)	10/01/13	EUR .001	960	26,880
Ubiquitel, Inc. 144A	4/15/10	22.74	3,210	32
Total warrants (cost \$219,448)				\$ 26,932

EQUITY VALUE CERTIFICATES (□%)* □ (cost \$107,609)

	Maturity date	Certificates	Value
ONO Finance PLC 144A (United Kingdom)	3/16/11	780	\$ 8

55

SHORT-TERM INVESTMENTS (13.8%)*

	Principal amount/shares	Value
Short-term investments held as collateral for loaned securities with yields ranging from 5.27% to 5.44% and due dates ranging from August 1, 2006, to August 23, 2006 (d)	\$ 4,721,404	\$ 4,719,780
Putnam Prime Money Market Fund (e)	171,684,435	171,684,435
U.S. Treasury Bills 4.75%, August 17, 2006 #	4,011,000	4,002,577
Total short-term investments (cost \$180,406,792)		\$ 180,406,792

TOTAL INVESTMENTS

Total investments (cost \$1,463,095,476)	\$ 1,459,819,084
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* Percentages indicated are based on net assets of \$1,310,078,473.

**** Security is in default of principal and interest.

□ Non-income-producing security.

(S) Securities on loan, in part or in entirety, at July 31, 2006.

□□ The interest or dividend rate and date shown parenthetically represent the new interest or dividend rate to be paid and the date the fund will begin accruing interest or dividend income at this rate.

□ Restricted, excluding 144A securities, as to public resale. The total market value of restricted securities held at July 31, 2006 was \$3,484,032 or 0.3% of net assets.

(SN) The securities noted above were purchased during the period for an aggregate cost of \$2,283,487. During the period, questions arose regarding a potential misidentification of the characteristics of these securities. As a result of initial inquiries into the matter, the values of these securities were adjusted. As of July 31, 2006, the aggregate values of these securities totaled \$1,678,546. An investigation of the facts surrounding the acquisition and valuation of these securities is currently underway to determine whether the Fund may have claims against other parties in this regard.

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☐ Income may be received in cash or additional securities at the discretion of the issuer.

This security was pledged and segregated with the custodian to cover margin requirements for futures contracts at July 31, 2006.

(R) Real Estate Investment Trust.

(c) Senior loans are exempt from registration under the Security Act of 1933, as amended, but contain certain restrictions on resale and cannot be sold publicly. These loans pay interest at rates which adjust periodically. The interest rate shown for senior loans are the current interest rates at July 31, 2006. Senior loans are also subject to mandatory and/or optional prepayment which cannot be predicted. As a result, the remaining maturity may be substantially less than the stated maturity shown (Notes 1 and 6).

(d) See Note 1 to the financial statements.

(e) See Note 5 to the financial statements regarding investments in Putnam Prime Money Market Fund.

(F) Security is valued at fair value following procedures approved by the Trustees.

(U) A portion of the position represents unfunded loan commitments (Note 7).

At July 31, 2006, liquid assets totaling \$342,346,420 have been designated as collateral for open forward commitments, swap contracts and forward contracts.

144A after the name of an issuer represents securities 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).

The rates shown on Floating Rate Bonds (FRB) and Floating Rate Notes (FRN) are the current interest rates at July 31, 2006.

Inverse Floating Rate Bonds (IFB) are securities that pay interest rates that vary inversely to changes in the market interest rates. As interest rates rise, inverse floaters produce less current income. The interest rates shown are the current interest rates at July 31, 2006.

56

DIVERSIFICATION BY COUNTRY

Distribution of investments by country of issue at July 31, 2006 (as a percentage of Portfolio Value):

Argentina	0.7%
Austria	0.7
Brazil	1.5
Canada	1.0
Cayman Islands	1.1
France	2.6
Germany	2.1
Ireland	2.2
Japan	4.5
Luxembourg	0.6
Russia	1.0
Sweden	0.7
United Kingdom	1.9
United States	76.9
Other	2.5

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Total 100.0%

WRITTEN OPTIONS OUTSTANDING at 7/31/06 (premiums received \$921,579)

	Contract amount	Expiration date/ strike price	Value
Option on an interest rate swap with Citibank for the obligation to pay a fixed rate of 0.60% versus the six month JPY-LIBOR maturing on January 31, 2008.	JPY 30,355,300,000	Jan-07/\$0.60	\$1,059,332
Option on an interest rate swap with Citibank for the obligation to pay a fixed rate of 1.165% versus the one year JPY-LIBOR maturing on April 3, 2008.	JPY 25,769,748,000	Apr-03/\$1.17	416,658
Total			\$1,475,990

57

FORWARD CURRENCY CONTRACTS TO BUY at 7/31/06 (aggregate face value \$159,026,937)

	Value	Aggregate face value	Delivery date	Unrealized appreciation/ (depreciation)
Australian Dollar	\$38,524,737	\$37,964,313	10/18/06	\$ 560,424
British Pound	34,018,448	33,575,296	9/20/06	443,152
Canadian Dollar	9,735,546	9,779,947	10/18/06	(44,401)
Czech Korunas	6,591,838	6,600,578	9/20/06	(8,740)
Danish Krone	2,391,370	2,432,767	9/20/06	(41,397)
Euro	9,939,200	9,818,258	9/20/06	120,942
Japanese Yen	16,062,644	16,095,763	8/16/06	(33,119)
Malaysian Ringgit	3,328,597	3,309,499	8/16/06	19,098
Norwegian Krone	4,905,661	4,882,257	9/20/06	23,404
Polish Zloty	4,411,278	4,333,379	9/20/06	77,899
South African Rand	3,367,484	3,257,590	10/18/06	109,894
South Korean Won	6,993,542	7,189,885	8/16/06	(196,343)
Swedish Krona	6,598,742	6,615,574	9/20/06	(16,832)
Swiss Franc	9,815,698	9,875,891	9/20/06	(60,193)
Thai Baht	3,348,072	3,295,940	8/16/06	52,132
Total				\$1,005,920

FORWARD CURRENCY CONTRACTS TO SELL at 7/31/06 (aggregate face value \$297,619,617)

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	Value	Aggregate face value	Delivery date	Unrealized appreciation/ (depreciation)
British Pound	\$ 31,950,430	\$ 31,541,732	9/20/06	\$(408,698)
Canadian Dollar	17,519,343	17,433,906	10/18/06	(85,437)
Euro	124,967,244	125,461,307	9/20/06	494,063
Japanese Yen	75,853,917	75,852,402	8/16/06	(1,515)
New Zealand Dollar	921	914	10/18/06	(7)
Norwegian Krone	6,605,518	6,493,136	9/20/06	(112,382)
Singapore Dollar	3,290,440	3,278,132	8/16/06	(12,308)
Swedish Krona	26,803,662	26,825,076	9/20/06	21,414
Swiss Franc	10,782,588	10,733,012	9/20/06	(49,573)
Total				\$(154,443)

58

FUTURES CONTRACTS OUTSTANDING at 7/31/06

	Number of contracts	Value	Expiration date	Unrealized appreciation/ (depreciation)
Euro-Yen 90 day TFX (Short)	300	\$65,108,810	Dec-06	\$ (24,220)
Euro-Yen 90 day TFX (Short)	300	64,712,244	Dec-07	(33,866)
Euro-Yen 90 day TFX (Long)	600	129,791,557	Jun-07	59,812
90 day Bank Bill (Long)	869	155,866,543	Dec-06	(53,431)
Euro 90 day (Long)	636	150,334,500	Dec-06	(281,142)
Euro 90 day (Short)	102	24,133,200	Mar-07	8,648
Euro 90 day (Long)	346	81,759,800	Sep-06	(394,516)
Canadian Government Bond 10 yr (Long)	23	2,293,283	Sep-06	9,068
Euro-Bobl 5 yr (Long)	126	17,667,676	Sep-06	47,937
Euro-Bund 10 yr (Short)	216	32,191,951	Sep-06	(218,285)
Japanese Government Bond 10 yr (Long)	85	98,059,780	Sep-06	341,084
U.K. Gilt 10 yr (Long)	63	12,905,170	Sep-06	(51,953)
U.S. Treasury Note 10 yr (Long)	252	26,719,875	Sep-06	172,300
U.S. Treasury Note 2 yr (Short)	1,605	326,567,344	Sep-06	70,411
U.S. Treasury Note 5 yr (Short)	1,479	154,139,531	Sep-06	(706,793)
U.S. Treasury Bond 20 yr (Short)	283	30,643,594	Sep-06	(498,309)
Total				\$(1,553,255)

TBA SALE COMMITMENTS OUTSTANDING at 7/31/06 (proceeds receivable \$84,349,031)

	Principal amount	Settlement date	Value
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5s, August 1, 2021	\$21,500,000	8/17/06	\$20,886,915
4 1/2s, September 1, 2021	40,000,000	9/18/06	38,159,375
4 1/2s, August 1, 2021	27,200,000	8/17/06	25,973,876
Total			\$85,020,166

59

INTEREST RATE SWAP CONTRACTS OUTSTANDING at 7/31/06

Swap counterparty / Notional amount	Termination date	Payments made by fund per annum	Payments received by fund per annum	Unrealized appreciation/ (depreciation)
Bank of America, N.A.				
\$900,000	9/1/15	3 month USD-LIBOR-BBA	4.53%	\$(54,295)
32,700,000	3/30/09	3.075%	3 month USD-LIBOR-BBA	1,673,286
6,900,000	1/27/14	4.35%	3 month USD-LIBOR-BBA	480,936
Citibank, N.A.				
NOK 93,000,000	7/14/10	6 month NOK-NIBOR-NIBR	3.40%	(572,986)
EUR 11,000,000	7/14/10	2.7515%	6 month EUR-EURIBOR-Telerate	566,746
\$46,380,000	7/27/09	5.504%	3 month USD-LIBOR-BBA	(176,218)
JPY 5,544,600,000	4/26/11	6 month JPY-LIBOR-BBA	1.56125%	267,956
JPY 2,400,000,000	4/22/13	1.9225%	6 month JPY-LIBOR-BBA	(254,622)
JPY 10,565,597,000 (E)	4/3/08	1 year JPY-LIBOR-BBA	1.165%	84,030
EUR 40,770,000	4/26/11	3.8345%	6 month EUR-EURIBOR-Telerate	33,775
JPY 750,000,000	4/21/36	6 month JPY-LIBOR-BBA	2.775%	96,752
EUR 4,600,000	7/22/10	2.825%	6 month EUR-EURIBOR-Telerate	222,250
NOK 36,700,000	7/22/10	6 month NOK-NIBOR-NIBR	3.52%	(202,111)
JPY 2,600,000,000	2/10/16	6 month JPY-LIBOR-BBA	1.755%	(488,816)

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Credit Suisse First Boston International

\$11,257,600	7/9/14	4.945%	3 month USD-LIBOR-BBA	403,370
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Credit Suisse
International

EUR 5,062,000	7/17/21	6 month EUR-EURIBOR-Telerate	4.445%	87,438
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CHF 35,768,000	7/17/09	2.555%	6 month CHF-LIBOR-BBA	(42,958)
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CHF 7,255,000	7/17/21	3.3125%	6 month CHF-LIBOR-BBA	(63,413)
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CHF 29,020,000	7/17/13	6 month CHF-LIBOR-BBA	2.9925%	132,194
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EUR 19,571,000	7/17/13	4.146%	6 month EUR-EURIBOR-Telerate	(189,591)
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EUR 23,621,000	7/17/09	6 month EUR-EURIBOR-Telerate	3.896%	89,986
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GBP 2,910,000	4/3/36	GBP 7,330,962 at maturity	6 month USD-LIBOR-BBA	283,416
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Deutsche Bank AG

ZAR 23,880,000	7/6/11	3 month ZAR-JIBAR-SAFEX	9.16%	14,236
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JPMorgan Chase Bank,
N.A.

JPY 5,079,000,000	7/24/13	1.7875%	6 month JPY-LIBOR-BBA	148,314
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JPY 20,972,000,000	7/24/08	6 month JPY-LIBOR-BBA	0.905%	(96,864)
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GBP 14,090,000	7/19/16	6 month GBP-LIBOR-BBA	5.045%	171,673
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\$ 139,343,000	5/4/08	3 month USD-LIBOR-BBA	5.37%	(116,162)
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45,120,000	5/4/16	5.62375%	3 month USD-LIBOR-BBA	(326,199)
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GBP 52,652,000	6/30/08	5.095%	6 month GBP-LIBOR-BBA	(133,986)
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JPY 7,420,000,000	6/6/13	1.83%	6 month JPY-LIBOR-BBA	(5,824)
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\$ 13,000,000	5/10/35	5.062%	3 month USD-LIBOR-BBA	1,095,473
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30,000,000	5/10/15	3 month USD-LIBOR-BBA	4.687%	(1,757,128)
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GBP 7,050,000	7/19/36	4.5975%	6 month GBP-LIBOR-BBA	(137,537)
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\$56,000,000	5/10/07	4.062%	3 month USD-LIBOR-BBA	783,281
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66,000,000	3/6/16	3 month USD-LIBOR-BBA	5.176%	(886,380)
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60

INTEREST RATE SWAP CONTRACTS OUTSTANDING at 7/31/06 *continued*

Swap counterparty / Notional amount	Termination date	Payments made by fund per annum	Payments received by fund per annum	Unrealized appreciation/ (depreciation)
Lehman Brothers Special Financing, Inc.				
JPY 4,600,000,000	10/21/15	1.61%	6 month JPY-LIBOR-BBA	\$1,374,030
\$ 6,900,000	1/26/14	4.3375%	3 month USD-LIBOR-BBA	486,192
18,032,000	12/11/13	3 month USD-LIBOR-BBA	4.641%	(931,068)
GBP 2,685,000	3/15/36	6,499,938 GBP at maturity	6 month GBP-LIBOR-BBA	320,542
\$132,000,000	3/6/08	3 month USD-LIBOR-BBA	5.133%	1,030,498
Merrill Lynch Capital Services, Inc.				
EUR 6,900,000	7/26/10	2.801%	6 month EUR-EURIBOR-Telerate	338,991
NOK 54,900,000	7/26/10	6 month NOK-NIBOR-NIBR	3.54%	(296,838)
JPY 11,230,000,000	12/15/07	0.7411%	6 month JPY-LIBOR-BBA	(210,383)
\$16,600,000	(E) 11/22/16	4.1735%	3 month U.S. Bond Market Association Municipal Swap Index	(160,886)
11,600,000	(E) 11/22/16	3 month USD-LIBOR-BBA	5.711%	143,376
Total				\$3,224,476

(E) See Note 1 to the financial statements regarding extended effective dates.

61

TOTAL RETURN SWAP CONTRACTS OUTSTANDING at 7/31/06

Swap counterparty /	Termination	Fixed payments received (paid) by	Total return received by	Unrealized appreciation/
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Notional amount	date	fund per annum	or paid by fund	(depreciation)
Credit Suisse International				
EUR 33,169,000	4/26/11	2.14%	French Non-revised Consumer Price Index excluding tobacco	\$(38,091)
EUR 33,169,000	4/26/11	(2.15%)	Euro Non-revised Consumer Price Index excluding tobacco	330,124
GBP 2,910,000	4/3/36	3.1225%	GBP Non-revised Retail Price Index	(64,993)
Goldman Sachs International				
\$ 2,644,000	9/15/11	678 bp (1 month USD-LIBOR)	Ford Credit Auto Owner Trust Series 2005-B Class D	(3,700)
JPMorgan Chase Bank, N.A.				
EUR 31,400,000	7/21/11	(2.295%)	Euro Non-revised Consumer Price Index excluding tobacco	114,279
EUR 31,400,000	7/21/11	2.2325%	Euro Non-revised Consumer Price Index excluding tobacco	100,808
EUR 21,620,000	6/16/14	2.245%	Euro Non-revised Consumer Price Index excluding tobacco	1,411
EUR 21,620,000	6/16/14	(2.275%)	Euro Non-revised Consumer Price Index excluding tobacco	14,576
Lehman Brothers Special Financing, Inc.				
GBP 2,685,000	3/15/36	4,063,876 GBP at maturity	GBP Non-revised Retail Price	(65,161)

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Index

Total \$389,253

62

CREDIT DEFAULT CONTRACTS OUTSTANDING at
7/31/06

Swap counterparty / Referenced debt*	Upfront premium received (paid)**	Notional amount	Termination date	Fixed payments received (paid) by fund per annum	Unrealized appreciation/ (depreciation)
Bank of America, N.A. DJ CDX NA HY Series 3 Index	\$32,558	\$1,728,000	6/20/10	360 bp	\$88,235
DJ CDX NA HY Series 4 Index	70,302	3,552,000	6/20/10	360 bp	184,747
DJ CDX NA HY Series 4 Index	(29,081)	9,600,000	6/20/10	(360 bp)	(338,393)
DJ CDX NA HY Series 4 Index	(19,398)	4,800,000	6/20/10	(360 bp)	(174,054)
L-3 Communications Corp. 7 5/8s, 2012	□	1,155,000	9/20/11	(111 bp)	(3,019)
L-3 Communications Corp. 7 5/8s, 2012	□	460,000	6/20/11	(101 bp)	(90)
Citibank, N.A. DJ CDX NA HY Series 6 Index	1,033	826,750	6/20/11	(345 bp)	(1,724)
DJ CDX NA HY Series 6 Index	6,793	418,000	6/20/11	(345 bp)	5,398
DJ CDX NA HY Series 6 Index 25-35% tranche	□	3,307,000	6/20/11	80 bp	(19,706)
DJ CDX NA HY Series 6 Index 25-35% tranche	□	1,672,000	6/20/11	74 bp	(15,361)
DJ CDX NA IG Series 4					

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Index 3-7% tranche	□	4,761,000	6/20/15	(677.5 bp)	500,401
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Credit Suisse First Boston International					
Ford Motor Co., 7.45s,					
7/16/2031	□	2,720,000	9/20/07	(487.5 bp)	(21,074)
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Ford Motor Co., 7.45s,					
7/16/2031	□	3,300,000	9/20/08	725 bp	35,573
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Ford Motor Co., 7.45s,					
7/16/2031	□	580,000	9/20/07	(485 bp)	(4,340)
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Republic of Argentina,					
8.28s, 2033	□	2,315,000	7/20/09	(214 bp)	(50,540)
<hr/>					
Deutsche Bank AG					
Republic of Indonesia,					
6.75s, 2014	□	1,125,000	9/20/16	294 bp	33,285
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Republic of Indonesia,					
6.75s, 2014	□	1,125,000	9/20/16	292 bp	31,787
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Goldman Sachs Capital Markets, L.P.					
DJ CDX NA HY Series 3					
Index	22,336	1,824,000	6/20/10	(360 bp)	81,105
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DJ CDX NA HY Series 4					
Index	23,693	4,800,000	6/20/10	(360 bp)	(130,963)
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DJ CDX NA HY Series 5					
Index	(397,415)	26,966,000	12/20/10	(395 bp)	(1,354,934)
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DJ CDX NA HY Series 6					
Index	10,275	1,027,500	6/20/11	(345 bp)	6,848
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DJ CDX NA HY Series 6					
Index 25-35% tranche	□	4,110,000	6/20/11	74 bp	(35,391)
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63

CREDIT DEFAULT CONTRACTS OUTSTANDING at 7/31/06 *continued*

Swap counterparty / Referenced debt*	Upfront premium received (paid)**	Notional amount	Termination date	Fixed payments received (paid) by fund per annum	Unrealized appreciation/ (depreciation)
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Goldman Sachs Capital Markets, L.P. *continued*

DJ CDX NA IG Series 5

Index 3-7% tranche	\$□	\$1,480,000	12/20/10	(115 bp)	\$(24,630)
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DJ CDX NA IG Series 5

Index 3-7% tranche	□	1,589,000	12/20/10	(113 bp)	(25,151)
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Goldman Sachs International

DJ CDX NA HY Series 6

Index	2,563	1,025,000	6/20/11	(345 bp)	(856)
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DJ CDX NA HY Series 6

Index 25-35% tranche	□	4,100,000	6/20/11	85 bp	(16,488)
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DJ CDX NA IG Series 6

Index	□	4,309,000	6/20/13	55 bp	2,577
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DJ CDX NA IG Series 6

Index	22,041	4,309,000	6/20/13	(50 bp)	21,910
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General Motors Corp., 7

1/8s, 7/15/13	□	2,720,000	9/20/08	620 bp	26,181
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General Motors Corp., 7

1/8s, 7/15/13	□	2,720,000	9/20/07	(427.5 bp)	(21,984)
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General Motors Corp., 7

1/8s, 7/15/13	□	580,000	9/20/07	(425 bp)	(4,529)
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General Motors Corp., 7

1/8s, 7/15/13	□	580,000	9/20/08	620 bp	5,646
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One of the underlying

securities in the

basket of BB CMBS

securities	□	7,487,000	(a)	2.461%	373,540
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Ray Acquisition SCA, 9

3/8s, 3/15/2015	□	EUR 1,200,000	9/20/08	(187 bp)	(999)
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Ray Acquisition SCA, 9

3/8s, 3/15/2015	□	EUR 1,200,000	9/20/11	399 bp	(794)
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Lehman Brothers Special Financing, Inc.

DJ CDX NA HY Series 3

Index	35,829	\$1,728,000	6/20/10	(360 bp)	91,506
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DJ CDX NA HY Series 4					
Index	40,392	9,600,000	6/20/10	(360 bp)	(268,920)
DJ CDX NA HY Series 4					
Index	(44,612)	4,570,560	6/20/10	(360 bp)	(191,875)
DJ CDX NA HY Series 6					
Index	(2,556)	1,022,500	6/20/11	(345 bp)	(5,966)
DJ CDX NA HY Series 6					
Index	6,141	818,750	6/20/11	(345 bp)	3,410
DJ CDX NA HY Series 6					
Index	10,100	1,010,000	6/20/11	(345 bp)	6,732
DJ CDX NA HY Series 6					
Index 25-35% tranche	□	4,090,000	6/20/11	96 bp	2,863
DJ CDX NA HY Series 6					
Index 25-35% tranche	□	3,275,000	6/20/11	74 bp	(28,740)
DJ CDX NA HY Series 6					
Index 25-35% tranche	□	4,040,000	6/20/11	72 bp	(38,420)
DJ CDX NA IG Series 4					
Index 3-7% tranche	□	1,082,000	6/20/12	309 bp	63,844

64

CREDIT DEFAULT CONTRACTS OUTSTANDING at 7/31/06 *continued*

Swap counterparty / Referenced debt*	Upfront premium received (paid)**	Notional amount	Termination date	Fixed payments received (paid) by fund per annum	Unrealized appreciation/ (depreciation)
Lehman Brothers Special Financing, Inc. <i>continued</i>					
DJ CDX NA IG Series 4					
Index 3-7% tranche	\$ □	\$4,248,500	6/20/10	(124.5 bp)	\$(104,651)
DJ iTraxx EUR Series 5					
Index	24,712	EUR 3,628,000	6/20/13	(50 bp)	(2,690)
DJ iTraxx EUR Series 5					
Index 6-9% tranche	□	EUR 3,628,000	6/20/13	53.5 bp	(2,408)

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Merrill Lynch Capital Services, Inc.

L-3 Communications

Corp. 7 5/8s, 2012	□	\$1,910,000	9/20/11	(111 bp)	(4,934)
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L-3 Communications

Corp. 7 5/8s, 2012	□	1,152,000	6/20/11	(92 bp)	4,282
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Merrill Lynch International

DJ CDX NA HY Series 4

Index	43,007	2,208,000	6/20/10	360 bp	114,149
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Merrill Lynch International & Co. C.V.

DJ CDX NA IG Series 5

Index 3-7% tranche	□	1,480,000	12/20/12	246 bp	31,436
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Morgan Stanley Capital Services, Inc.

DJ CDX NA HY Series 6

Index	(7,823)	1,043,000	6/20/11	(345 bp)	(11,301)
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DJ CDX NA HY Series 6

Index	(5,251)	1,050,250	6/20/11	(345 bp)	(8,754)
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DJ CDX NA HY Series 6

Index	(3,358)	671,500	6/20/11	(345 bp)	(5,597)
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DJ CDX NA HY Series 6

Index	□	1,014,750	6/20/11	(345 bp)	(3,384)
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DJ CDX NA HY Series 6

Index	10,450	1,045,000	6/20/11	(345 bp)	6,965
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DJ CDX NA HY Series 6

Index 25-35% tranche	□	4,172,000	6/20/11	107.5 bp	23,921
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DJ CDX NA HY Series 6

Index 25-35% tranche	□	4,201,000	6/20/11	106 bp	21,442
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DJ CDX NA HY Series 6

Index 25-35% tranche	□	2,686,000	6/20/11	103.5 bp	10,720
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DJ CDX NA HY Series 6

Index 25-35% tranche	□	4,059,000	6/20/11	88.5 bp	(10,176)
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DJ CDX NA HY Series 6

Index 25-35% tranche	□	4,180,000	6/20/11	73 bp	(38,353)
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DJ CDX NA HY Series 6

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Index 25-35% tranche	16,981	1,045,000	6/20/11	345 bp	13,496
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DJ CDX NA HY Series 6					
Index 25-35% tranche	□	4,180,000	6/20/11	74 bp	(38,400)
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DJ CDX NA IG Series 4					
Index 3-7% tranche	□	8,031,500	6/20/10	(62 bp)	(18,543)
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DJ CDX NA IG Series 4					
Index 3-7% tranche	□	3,372,000	6/20/12	275 bp	140,439
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DJ CDX NA IG Series 4					
Index 3-7% tranche	□	3,257,000	6/20/10	(114 bp)	(68,332)
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65

CREDIT DEFAULT CONTRACTS OUTSTANDING at 7/31/06 *continued*

Swap counterparty / Referenced debt*	Upfront premium received (paid)**	Notional amount	Termination date	Fixed payments received (paid) by fund per annum	Unrealized appreciation/ (depreciation)
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Morgan Stanley Capital Services, Inc. <i>continued</i>					
DJ CDX NA IG Series 4					
Index 3-7% tranche	\$□	\$1,082,000	6/20/10	(110.5 bp)	\$(21,315)
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DJ CDX NA IG Series 5					
Index 3-7% tranche	□	1,480,000	12/20/12	248 bp	33,053
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DJ CDX NA IG Series 5					
Index 3-7% tranche	□	1,480,000	12/20/10	(115 bp)	(24,630)
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DJ iTraxx EUR Series 5					
Index	□	EUR 3,628,000	6/20/13	(50 bp)	(27,322)
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DJ iTraxx EUR Series 5					
Index 6-9% tranche	□	EUR 3,628,000	6/20/13	57 bp	7,859
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Total					\$(1,196,381)

* Payments related to the reference debt are made upon a credit default event.

** Upfront premium is based on the difference between the original spread on issue and the market spread on day of execution.

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(a) Terminating on the date on which the notional amount is reduced to zero or the date on which the assets securing the reference entity are liquidated.

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

66

Statement of assets and liabilities 7/31/06

ASSETS

Investment in securities, at value, including \$4,614,862 of securities on loan (Note 1):	
Unaffiliated issuers (identified cost \$1,291,411,041)	\$1,288,134,649
Affiliated issuers (identified cost \$171,684,435) (Note 5)	171,684,435
Cash	3,063,784
Foreign currency (cost \$8,015,576) (Note 1)	8,060,721
Interest and other receivables	14,702,499
Receivable for securities sold	8,149,119
Receivable for sales of delayed delivery securities (Note 1)	84,667,184
Unrealized appreciation on swap contracts (Note 1)	12,863,289
Receivable for open forward currency contracts (Note 1)	1,911,804
Receivable for closed forward currency contracts (Note 1)	1,410,083
Receivable for closed swaps contracts (Note 1)	1,094,460
Premiums paid on swap contracts (Note 1)	509,494
Total assets	1,596,251,521

LIABILITIES

Payable for variation margin (Note 1)	427,883
Distributions payable to shareholders	5,608,180
Payable for securities purchased	1,703,439