

PUTNAM HIGH INCOME SECURITIES FUND
Form N-CSRS
April 29, 2008

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- 05133)

Exact name of registrant as specified in charter: Putnam High Income Securities Fund

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

Name and address of agent for service: Beth S. Mazor, Vice President
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Date of fiscal year end: August 31, 2008

Date of reporting period: September 1, 2007 - February 29, 2008

Item 1. Report to Stockholders:

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

What makes Putnam different?

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

THE PRUDENT MAN RULE

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

A time-honored tradition in money management

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

A prudent approach to investing

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

Funds for every investment goal

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

A commitment to doing what's right for investors

With a focus on investment performance and in-depth information about our funds, we put the interests of investors first and seek to set the standard for integrity and service.

Industry-leading service

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

Putnam High Income Securities Fund

2|29|08 *Semiannual Report*

Message from the Trustees	2
About the fund	4
Performance snapshot	6
Interview with your fund's Portfolio Leaders	7

Performance in depth	12
Your fund's management	14
Terms and definitions	16
Trustee approval of management contract	17
Other information for shareholders	22
Financial statements	23
Shareholder meeting results	50

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Message from the Trustees

Dear Fellow Shareholder:

In 2008, financial markets and the economy face many challenges. The credit crisis that began as a rise in defaults for a limited segment of the U.S. mortgage market has spread across the global financial sector and produced a severe tightening of credit conditions. Growth has been curtailed as a result, and markets have reacted by sending stock prices lower. In the United States, the economy has weakened considerably, with many predicting that we are now in a recession, or will be soon. The good news is that policymakers are taking decisive action to counter these developments: The Federal Reserve Board has cut interest rates and added liquidity to the credit markets. In February, federal lawmakers, working with the president, approved a \$168 billion fiscal stimulus plan, which will deliver tax rebate checks to tens of millions of Americans.

Still, as investors it is natural to feel discouraged. During these challenging times, it is important to remember the value of a long-term perspective and the counsel of your financial representative. The normal condition of the economy and corporate earnings is one of growth, albeit with occasional interruptions. If recent history is any indication, recessions in the United States are short-lived compared to economic expansions. Since 1960, the economy has experienced seven recessions lasting an average of 11 months, versus 64 months for the average expansion.

Starting this month, we have changed the portfolio manager's commentary in this report to a question-and-answer format. We feel this new approach makes the information more readable and accessible, and we hope you think so as well.

2

Lastly, we would like to take this opportunity to welcome new shareholders to the fund and to thank all of our existing investors for your continued confidence in Putnam. We note that Putnam Investments celebrated its 70th anniversary in November. From modest beginnings in Boston, Massachusetts, the company has grown into a global asset manager that serves millions of investors worldwide. Although the mutual fund industry has undergone many changes since George Putnam introduced his innovative balanced fund in 1937, Putnam's guiding principles have not. As we celebrate this 70-year milestone, we look forward to

Putnam continuing its long tradition of prudent money management.

Putnam High Income Securities Fund: Opportunities from high-yield bonds and convertibles

The average investor may think of bonds as government-sponsored securities that offer relatively low risk and less volatility than the stock market. However, high-yield corporate bonds and convertible securities, the types of investments primarily held by Putnam High Income Securities Fund, are different. Both are issued by companies rather than the government. Moreover, high-yield corporates and convertibles can offer greater returns than other bonds — but also carry a greater potential for risk, such as the risk of corporate default or periodic illiquidity.

High-yield bonds are deemed to be less than investment-grade status (rated below Baa), which means their issuing companies are considered more likely to default on their loans than more creditworthy counterparts. High-yield bond prices tend to follow individual companies' fundamentals as well as interest-rate levels. While lower-rated corporate bonds may carry higher risk, they provide potentially higher levels of yield to compensate investors for that risk. That is why extensive research based on credit analysis is vital to identifying better high-yield issuers with a lower risk of default.

What sets convertible securities apart is a unique built-in option that allows the investor to exchange — or convert — the bond for a fixed number of shares of stock of the issuer. Convertible securities pay interest like most bonds, although frequently at a lower rate, and the amount of interest does not change as the underlying stock's price increases or decreases. Issuers range from large, well-known S&P 500 corporations to small, rapidly growing companies to those in cyclically depressed industries such as airlines, autos, and utilities.

Building a portfolio of high-yield bonds and convertible securities with the appropriate balance of risk and return potential requires intensive research and analysis. In the case of Putnam High Income Securities Fund, Putnam's global equity and credit research analysts conduct rigorous research in an effort to determine the true worth of the issuing company's business. The fund's portfolio team then constructs a portfolio that it believes offers the best return potential without undue risk.

Lower-rated bonds may offer higher yields in return for more 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. The fund's shares trade on a stock exchange at market prices, which may be lower than the fund's net asset value.

The "busted" convertible

One kind of security in which your fund may invest is the "busted" convertible. "Busted" refers to a security whose underlying stock price has fallen significantly below the conversion price. It becomes much less sensitive to the volatility of the underlying stock and is more bond-like, responding to interest-rate changes. A busted convertible may pay a higher yield than other convertibles, but may also carry a higher level of risk. (Some companies in this situation may eventually default on their bonds.)

The objective of buying a busted convertible is to take advantage of a company's potential turnaround despite present challenges. For example, a company undergoing management turmoil may draw negative investor reactions, causing its stock price to tumble. However, if intensive research determines that the management crisis is likely to be resolved, the fund manager could buy the security at a steep discount. The goal is to sell it at a higher premium assuming the situation is corrected and the price of the security recovers.

Putnam High Income Securities Fund has held convertible securities from a variety of sectors and industries.

Performance snapshot

Putnam High Income Securities Fund

Average annual total return (%) comparison as of 2/29/08

Data is historical. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return and net asset value will fluctuate, and you may have a gain or a loss when you sell your shares. Performance assumes reinvestment of distributions and does not account for taxes. Fund returns in the bar chart are at NAV. See pages 7 and 12-13 for additional performance information, including fund returns at market price. Index and Lipper results should be compared to fund performance at NAV. Lipper calculates performance differently than the closed-end funds it ranks, due to varying methods for determining a fund's monthly reinvestment NAV.

** The Merrill Lynch All-Convertibles Speculative Quality Index began operations on 12/31/92. The JPMorgan Developed High Yield Index began operations on 12/31/94.*

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

6

The period in review

How did the fund perform for the period, Dave?

Amid a difficult market environment, the fund performed well on a relative basis, outperforming its primary benchmark, the Merrill Lynch All-Convertibles Speculative Quality Index, by a significant margin. Specifically, the benchmark returned □4.16%, while the fund returned □1.72%. The fund also outperformed the □3.72% average return registered by its Lipper peer group, Convertible Securities Funds (closed-end). All in all, the fund held up quite well during a challenging period for equity markets and for the credit-sensitive areas of the fixed-income market.

What were the major factors that made the market environment challenging?

The major factor affecting the market environment was the contagion that began in the subprime mortgage-loan market and then spread to the high-yield market and beyond. The actual credit

Broad market index and fund performance

This comparison shows your fund's performance in the context of broad market indexes for the six months ended 2/29/08. See page 6 and pages 12-13 for additional fund performance information. Index descriptions can be found on page 16.

7

problems that spawned the contagion were in the mortgage market, not the high-yield convertible and bond markets. However, as market participants reassessed the risk exposures in their portfolios, the yields on any type of fixed-income security that carried credit risk rose as prices declined. Investors moved away en masse from risk to what they perceived to be more liquid and/or safe securities, such as U.S. Treasuries and other government bonds.

Rob, were there any factors specific to the high-yield bond market, separate from high-yield convertibles?

Yes. In the high-yield bond arena, supply-and-demand disruptions were an additional factor that weighed on the market. There was a considerable backlog of securities issued to finance leveraged buyouts and other mergers and acquisitions. Banks were left holding these securities when the market for riskier debt securities dried up.

Dave, to what do you attribute the fund's relative outperformance?

It was attributable to a combination of good security selection and the structural differences that often exist between high-yielding convertible securities and low-quality securities. In other words, there are high-yield convertibles available that carry investment-grade credit ratings.

Credit quality overview

Credit qualities shown as a percentage of portfolio value as of 2/29/08. A bond rated Baa/BBB or higher is considered investment grade. Ratings will vary over time.

8

What were some of the individual companies that added to results?

One of the top overall contributors to performance was an out-of-benchmark position in **Vale Capital, Ltd.**, the financial holding company for Brazil-based Companhia Vale do Rio Doce, the world's largest iron ore miner. This security offered a very high yield, but it was issued on behalf of an investment-grade company. At the same time, another top contributor to results was an overweight position in **International Coal Group**, which was a high-yield, below investment-grade issue. Similar to most of the issuers in the fund's primary benchmark, International Coal's convertibles carry a relatively low credit rating. However, because we manage the fund in a flexible way relative to the benchmark, we can find attractive opportunities among issuers with higher credit quality outside of the benchmark. So, during this period, the fund benefited from good security selection both within and outside the benchmark.

What other positions helped the fund's returns?

Semiconductor manufacturer **Advanced Micro Devices (AMD)** contributed positively to results among the fund's convertible holdings. AMD was an atypical investment for the fund because, normally, convertible bonds issued by the company don't meet our yield parameters. However, as investors perceived an intensified competitive

Portfolio composition comparison*

This chart shows how the fund's weightings have changed over the past six months. Weightings are shown as a percentage of portfolio value. Holdings will vary over time.

* Excludes short-term investments held as collateral for loaned securities.

9

threat to AMD from market leader Intel, the prices of AMD's common stock and convertible bonds plummeted during November and December. This price action drove the yields on the convertibles sharply higher and brought them onto our radar screen. Another standout was **McMoRan Exploration**, a company that is engaged in exploration, development, and production of oil and natural gas, both offshore in the Gulf of Mexico and onshore in the Gulf Coast area. Lastly, bottle and container manufacturer **Owens Illinois** helped the fund's returns. The company's convertibles performed well as a result of solid earnings and improved operating profit margins.

Which holdings were the main detractors from performance?

Reflecting weakness among consumer cyclical stocks generally and the stock of retailers specifically, the convertibles issued by **Retail Ventures** — which controls DSW Shoe Warehouse — performed poorly. **Edge Petroleum**, which is focused on exploration and production in the natural gas industry, fell short of expectations for developing new reserves and was another significant detractor. However, toward the end of the period, the company announced that it was investigating strategic alternatives, including the possible sale of the company, which provided a boost to our convertible preferred stock position. Lastly, **Washington Mutual**, the largest U.S.-based savings-and-loan company, saw prices for its common stock and convertibles decline as it suffered losses in its home-loan portfolio and dealt with rising credit-card defaults.

What's the team's outlook, Dave?

Uncertain and volatile market environments, such as the one we experienced during this period, create challenges for high-yield investors, but challenges also bring opportunities. For example, the problems that have gripped the financials sector have led banks such as **Citigroup** and **Bank of America** to issue high-yield convertibles to raise their capital levels. Because these are investment-grade companies that we believe have sustainable franchise value, we concluded that the risk-return trade-off was compelling and added or increased our investments in these and other bank-issued convertibles. Also, since many of these investment-grade issuers are not in the fund's primary benchmark, at period's end, the fund had a substantial overweight position in financial holdings versus the benchmark. While we can't predict the future, we believe that at some point, financial stocks will rebound, which may provide a significant tailwind to our high-yield convertible holdings. In the meantime, we are, in effect, being paid well in the form of substantial yields to wait for the stocks of major money center banks and other high-quality financial companies to recover. That being said, we are proceeding with caution

10

because, in the current environment, even seemingly safe investments can decline sharply.

Rob, do you have some concluding thoughts regarding the high-yield bond portion of the fund?

On the high-yield bond side of the portfolio, while default rates remain extremely low, it will take time for the market to work off the supply overhang that was created by heavy leveraged buyout issuance. As with high-yield convertibles, we will look to add to the fund's high-yield bond holdings when we find what we believe are attractive opportunities, while maintaining our risk management discipline.

Thank you, gentlemen, for your time and insight today.

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

Lower-rated bonds may offer higher yields in return for more risk. Mutual funds that invest in bonds are subject to certain risks, including interest-rate risk, credit risk, and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. The fund's shares trade on a stock exchange at market prices, which may be higher or lower than the fund's net asset value.

INVESTMENT INSIGHT

The subprime mortgage financial crisis started in the United States during the fall of 2006, and became a global financial crisis by July 2007. Lax mortgage-lending practices in 2005 and 2006 resulted in rising debt loads for borrowers with weak credit histories. This situation was sustainable when mortgage rates were extremely low and home prices were rising, but as interest rates rose in early 2007, delinquencies and foreclosures began to spike. Many homeowners were unable or unwilling to meet financial commitments, and many lenders were left without a means to recoup their losses. As this report was being prepared, the problem continued to take its toll on markets around the world, most recently with the announced acquisition of Bear Stearns Cos. by JPMorgan Chase & Co. In past economic cycles, defaults would have been limited, but the repackaging, securitization, and wide-scale distribution of subprime mortgage debt by U.S. investment banks enabled the mortgage crisis to take on global proportions.

11

Your fund's performance

This section shows your fund's performance, price and distribution information for periods ended February 29, 2008, the end of the first half of its current 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 2/29/08

	NAV	Market price
Annual average		
Life of fund (since 7/9/87)	9.79%	8.88%
10 years	103.17	64.34
Annual average	7.35	5.09
5 years	78.13	61.22
Annual average	12.24	10.02
3 years	21.26	21.74
Annual average	6.64	6.78

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1 year	□0.94	□3.10
6 months	□1.72	□1.79

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

Fund performance as of most recent calendar quarter

Total return for periods ended 3/31/08

	NAV	Market price
Annual average Life of fund (since 7/9/87)	9.65%	8.64%
10 years Annual average	96.56 6.99	57.95 4.68
5 years Annual average	73.40 11.64	53.43 8.94
3 years Annual average	22.06 6.87	23.15 7.19
1 year	□3.35	□8.31
6 months	□5.98	□8.13

12

Comparative index returns

For periods ended 2/29/08

	Merrill Lynch All-Convertibles Speculative Quality Index	JPMorgan Developed High Yield Index	Lipper Convertible Securities Funds (closed-end) category average□
Annual average (life of fund)	□*	□□	9.06%
10 years	94.19%	66.43%	69.42

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Annual average	6.86	5.23	5.38
5 years	80.83	55.68	55.44
Annual average	12.58	9.26	9.15
3 years	20.21	12.91	17.29
Annual average	6.33	4.13	5.45
1 year	-2.95	-2.66	-1.62
6 months	□4.16	-1.54	-3.72

Index and Lipper results should be compared to fund performance at net asset value. Lipper calculates performance differently than the closed-end funds it ranks, due to varying methods for determining a fund's monthly reinvestment NAV.

* The Merrill Lynch All-Convertibles Speculative Quality Index began operations on 12/31/92.

□ The JPMorgan Developed High Yield Index began operations on 12/31/94.

□ Over the 6-month, 1-year, 3-year, 5-year, 10-year, and life-of-fund periods ended 2/29/08, there were 12, 11, 10, 6, 5, and 2 funds, respectively, in this Lipper category.

Fund price and distribution information

For the six-month period ended 2/29/08

Distributions

Number	6	
Income	\$0.2754	
Capital gains	□	
Total	\$0.2754	
Share value:	NAV	Market price
8/31/07	\$9.15	\$8.24
2/29/08	8.69	7.82
Current yield (end of period)		
Current dividend rate*	6.34%	7.04%

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

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

13

Your fund's management

Your fund is managed by the members of the Putnam Large Cap Value and Fixed-Income High-Yield teams. David King and Robert Salvin are Portfolio Leaders of your fund. The Portfolio Leaders coordinate the teams' management of the fund.

For a complete listing of the members of the Putnam Large Cap Value and Fixed-Income High-Yield teams, including those who are not Portfolio Leaders or Portfolio Members of your fund, please visit the Individual Investors section of www.putnam.com.

Investment team fund ownership

The table below shows how much the fund's current Portfolio Leaders have invested in the fund and in all Putnam mutual funds (in dollar ranges). Information shown is as of February 29, 2008, and February 28, 2007.

Trustee and Putnam employee fund ownership

As of February 29, 2008, 12 of the 13 Trustees 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	\$834,000	\$ 88,000,000
Putnam employees	\$ 35,000	\$672,000,000

14

Other Putnam funds managed by the Portfolio Leaders

David King is also a Portfolio Leader of Putnam New Value Fund and Putnam Convertible Income-Growth Trust. He is also a Portfolio Member of The Putnam Fund for Growth and Income.

Robert Salvin is also a Portfolio Member of Putnam High Yield Trust, Putnam High Yield Advantage Fund, Putnam Floating Rate Income Fund, and Putnam Convertible Income-Growth Trust.

David King and Robert Salvin may also manage other accounts and variable trust funds advised by Putnam Management or an affiliate.

15

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.

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

Comparative indexes

JPMorgan Developed High Yield Index is an unmanaged index of high-yield fixed-income securities issued in developed countries.

Merrill Lynch 91-Day Treasury Bill Index is an unmanaged index that seeks to measure the performance of U.S. Treasury bills available in the marketplace.

Merrill Lynch All-Convertibles Speculative Quality Index is an unmanaged index of U.S. convertible securities.

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.

16

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 Investment Management ("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 2007, the Contract Committee met several 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. The Contract Committee recommended, and the

Independent Trustees approved, the continuance of your fund's management contract and sub-management contract, effective July 1, 2007. (Because PIL is an affiliate of Putnam Management and Putnam Management remains 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 should be deemed to include reference to PIL as necessary or appropriate in the context.)

In addition, in anticipation of the sale of Putnam Investments to Great-West Lifeco, at a series of meetings ending in March 2007, the Trustees reviewed and approved new management and distribution arrangements to take effect upon the change of control. Shareholders of all funds approved the management contracts in May 2007, and the change of control transaction was completed on August 3, 2007. Upon the change of control, the management contracts that were approved by the Trustees in June 2007 automatically terminated and were replaced by new contracts that had been approved by shareholders. In connection with their review for the June 2007 continuance of the Putnam funds' management contracts, the Trustees did not identify any facts or circumstances that would alter the substance of the conclusions and recommendations they made in their review of the contracts to take effect upon the change of control.

The Independent Trustees' approval was based on the following conclusions:

That the fee schedule in effect for your fund represented 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 this fee schedule represented 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.

17

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.

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 responsibilities, 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 1st percentile in management fees and in the 1st percentile in total expenses as of December 31, 2006 (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. The Trustees considered that most Putnam funds currently have the benefit of breakpoints in their management fees 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

18

continue to work with Putnam Management to plan for an eventual resumption in the growth of assets, and to consider the 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.

Investment performance during the review period

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 Committees of the Trustees, which had met 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 recognized 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.

19

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 Convertible Securities Funds (closed-end)) for the one-, three- and five-year periods ended March 31, 2007 (the first percentile being the best-performing funds and the 100th percentile being the worst-performing funds):

One-year period	Three-year period	Five-year period
10th	46th	17th

(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, 2007, there were 10, 10 and 5 funds, respectively, in your fund's Lipper peer group.* Past performance is no guarantee of future returns.)

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 fund's 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 percentile rankings for your fund's common share annualized total return performance in the Lipper Convertible Securities Funds (closed-end) category for the one-, five- and ten-year periods ended March 31, 2008 were 50%, 25% and 17%, respectively. Over the one-, five- and ten-year periods ended March 31, 2008, the fund ranked 6th out of 11, 2nd out of 7 and 1st out of 5, respectively. Note that this more recent information was not available when the Trustees approved the continuance of your fund's management contract.*

20

The Trustees' annual review of your fund's management contract also included the review of your fund's custodian agreement and investor servicing agreement with Putnam Fiduciary Trust Company ("PFTC"), which provide benefits to affiliates of Putnam Management. In the case of the custodian agreement, the Trustees considered that, effective January 1, 2007, the Putnam funds had engaged State Street Bank and Trust Company as custodian and began to transition the responsibility for providing custody services away from PFTC.

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 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 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.

21

Other information for shareholders

Important notice regarding share repurchase program

In September 2007, the Trustees of your fund approved the renewal of a share repurchase program that had been in effect since 2005. This renewal will allow your fund to repurchase, in the 12 months beginning October 8, 2007, up to 10% of the fund's common shares outstanding as of October 5, 2007.

Important notice regarding delivery of shareholder documents

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

Proxy voting

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2007, are available on the Individual Investors section of www.putnam.com, 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.

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.

22

Financial statements

A guide to financial statements

These sections of the report, as well as the accompanying Notes, constitute the fund's financial statements.

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

Statement of assets and liabilities shows how the fund's net assets and share price are determined. All investment and 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

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the fund's net gain or loss for the fiscal period.

Statement of changes in net assets shows how the fund's net assets were affected by the fund's net investment gain or loss, by distributions to shareholders, and by changes in the number of the fund's shares. It lists distributions and their sources (net investment income or realized capital gains) over the current reporting period and the most recent fiscal year-end. The distributions listed here may not match the sources listed in the Statement of operations because the distributions are determined on a tax basis and may be paid in a different period from the one in which they were earned. Dividend sources are estimated at the time of declaration. Actual results may vary. Any non-taxable return of capital cannot be determined until final tax calculations are completed after the end of the fund's fiscal year.

Financial highlights provide an overview of the fund's investment results, per-share distributions, expense ratios, net investment income ratios, and portfolio turnover in one summary table, reflecting the five most recent reporting periods. In a semiannual report, the highlight table also includes the current reporting period.

23

The fund's portfolio/29/08 (Unaudited)

CORPORATE BONDS AND NOTES (38.6%)*

	Principal amount	Value
Basic Materials (3.3%)		
AK Steel Corp. company guaranty 7 3/4s, 2012	\$ 305,000	\$ 307,256
Aleris International, Inc. company guaranty 10s, 2016	180,000	123,525
Aleris International, Inc. company guaranty 9s, 2014 ☐☐	160,000	119,200
Algoma Acquisition Corp. 144A unsec. notes 9 7/8s, 2015 (Canada)	80,000	64,400
ARCO Chemical Co. debs. 10 1/4s, 2010	220,000	223,300
Builders FirstSource, Inc. company guaranty sr. sec. FRN 7.315s, 2012	150,000	109,500
Century Aluminum Co. company guaranty 7 1/2s, 2014	80,000	76,000
Clondalkin Acquisition BV 144A company guaranty sr. sec. notes FRN 6.991s, 2013 (Netherlands)	75,000	61,594
Domtar Corp. company guaranty Ser. *, 7 7/8s, 2011 (Canada)	280,000	275,800
Freeport-McMoRan Copper & Gold, Inc. sr. unsec. bonds 8 3/8s, 2017	450,000	475,313
Freeport-McMoRan Copper & Gold, Inc. sr. unsec. notes 8 1/4s, 2015	225,000	236,531
Freeport-McMoRan Copper & Gold, Inc. sr. unsec. notes FRN 8.394s, 2015	80,000	76,800
Georgia-Pacific Corp. debs. 9 1/2s, 2011	345,000	349,313
Gerdau Ameristeel Corp. sr. notes 10 3/8s, 2011 (Canada)	270,000	283,500
Hercules, Inc. company guaranty 6 3/4s, 2029	315,000	292,950
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, ULC company guaranty 9 3/4s, 2014	165,000	170,775
Huntsman, LLC company guaranty 11 5/8s, 2010	2,000	2,120
Jefferson Smurfit Corp. company guaranty 8 1/4s, 2012	49,000	45,693

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Metals USA, Inc. sec. notes 11 1/8s, 2015		340,000	335,750
Momentive Performance Materials, Inc. company guaranty sr. unsec. notes 9 3/4s, 2014		320,000	286,400
NewPage Corp. company guaranty 10s, 2012		105,000	105,263
NewPage Corp. sec. notes 10s, 2012		135,000	135,338
NewPage Holding Corp. sr. notes FRN 11.818s, 2013 ☐☐		54,534	45,536
Norske Skog Canada, Ltd. company guaranty Ser. D, 8 5/8s, 2011 (Canada)		170,000	142,375
Novelis, Inc. company guaranty 7 1/4s, 2015		155,000	139,500
Rockwood Specialties Group, Inc. company guaranty 7 5/8s, 2014	EUR	245,000	332,148
Smurfit-Stone Container Enterprises, Inc. sr. unsec. unsub. notes 8s, 2017	\$	140,000	123,900
Steel Dynamics, Inc. company guaranty sr. unsec. unsub. notes 6 3/4s, 2015		305,000	298,138
Tube City IMS Corp. company guaranty 9 3/4s, 2015		160,000	141,200
Ucar Finance, Inc. company guaranty 10 1/4s, 2012		3,000	3,098
Verso Paper Holdings, LLC/ Verso Paper, Inc. company guaranty 11 3/8s, 2016		90,000	81,450
			5,463,666

24

CORPORATE BONDS AND NOTES (38.6%)* *continued*

		Principal amount	Value
Capital Goods (3.5%)			
Alliant Techsystems, Inc. sr. sub. notes 6 3/4s, 2016	\$	165,000	\$ 161,288
Allied Waste North America, Inc. sec. notes 6 1/2s, 2010		85,000	83,938
Allied Waste North America, Inc. sec. notes Ser. B, 5 3/4s, 2011		30,000	29,250
Baldor Electric Co. company guaranty 8 5/8s, 2017		80,000	78,400
BBC Holding Corp. sr. notes 8 7/8s, 2014		215,000	189,738
Blount, Inc. sr. sub. notes 8 7/8s, 2012		155,000	150,738
Bombardier, Inc. 144A sr. notes 8s, 2014 (Canada)		150,000	154,125
Bombardier, Inc. 144A sr. unsec. notes FRN 7.465s, 2013 (Canada)	EUR	115,000	167,785
Crown Americas, LLC/Crown Americas Capital Corp. sr. notes 7 5/8s, 2013	\$	255,000	258,188
General Cable Corp. company guaranty sr. unsec. notes FRN 7.104s, 2015		190,000	163,400
Greenbrier Cos., Inc. company guaranty 8 3/8s, 2015		160,000	152,600
Hawker Beechcraft Acquisition Co., LLC sr. sub. notes 9 3/4s, 2017		155,000	153,838
Hawker Beechcraft Acquisition Co., LLC sr. unsec. notes 8 7/8s, 2015 ☐☐		200,000	204,000
Hexcel Corp. sr. sub. notes 6 3/4s, 2015		350,000	336,875

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L-3 Communications Corp. company guaranty 7 5/8s, 2012		100,000	102,500
L-3 Communications Corp. company guaranty 6 1/8s, 2013		110,000	108,900
L-3 Communications Corp. company guaranty Ser. B, 6 3/8s, 2015		215,000	213,388
L-3 Communications Corp. sr. sub. notes 5 7/8s, 2015		50,000	48,625
Legrand SA unsec. unsub. debs. 8 1/2s, 2025 (France)		395,000	440,182
Manitowoc Co., Inc. (The) sr. notes 7 1/8s, 2013		200,000	194,500
Milacron Escrow Corp. sec. notes 11 1/2s, 2011		225,000	168,750
Owens-Brockway Glass Container, Inc. company guaranty 6 3/4s, 2014	EUR	100,000	138,229
Owens-Illinois, Inc. debs. 7 1/2s, 2010	\$	55,000	56,238
RBS Global, Inc. / Rexnord Corp. company guaranty 9 1/2s, 2014		375,000	337,500
Ryerson Tull, Inc. 144A sec. notes 12s, 2015		60,000	56,400
SPX Corp. sr. notes 7 5/8s, 2014		80,000	82,400
TD Funding Corp. company guaranty 7 3/4s, 2014		290,000	288,550
Tekni-Plex, Inc. sec. notes 10 7/8s, 2012		320,000	335,200
Terex Corp. company guaranty 7 3/8s, 2014		215,000	213,388
Terex Corp. sr. sub. notes 8s, 2017		40,000	40,000
Titan International, Inc. company guaranty 8s, 2012		395,000	381,175
WCA Waste Corp. company guaranty 9 1/4s, 2014		190,000	189,050
			5,679,138

Communication Services (3.2%)

American Tower Corp. 144A sr. notes 7s, 2017		280,000	279,300
Centennial Cellular Operating Co., LLC company guaranty 10 1/8s, 2013		90,000	90,900
Centennial Cellular Operating Co., LLC sr. unsec. notes 8 1/8s, 2014		50,000	47,250
Centennial Communications Corp. sr. notes 10s, 2013		145,000	139,925

25

CORPORATE BONDS AND NOTES (38.6%)* *continued*

		Principal amount	Value
<i>Communication Services continued</i>			
Centennial Communications Corp. sr. unsec. notes FRN 10.479s, 2013	\$	40,000	\$ 36,800
Citizens Communications Co. notes 9 1/4s, 2011		160,000	168,400
Cricket Communications, Inc. company guaranty 9 3/8s, 2014		335,000	298,150
Digicel Group, Ltd. 144A sr. note			