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- 07626)

Exact name of registrant as specified in charter:	Putnam Municipal Opportunities Trust

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

Name and address of agent for service:	Robert T. Burns, Vice President One Post Office Square Boston, Massachusetts 02109
Copy to:	John W. Gerstmayr, Esq. Ropes & Gray LLP 800 Boylston Street Boston, Massachusetts 02199-3600
Registrant’s telephone number, including area code:	(617) 292-1000

Date of fiscal year end: April 30, 2013

Date of reporting period May 1, 2012 – October 31, 2012

Item 1. Report to Stockholders:

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

Putnam Municipal Opportunities Trust

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Consider these risks before investing: Lower-rated bonds may offer higher yields in return for more risk. Bond investments are subject to interest-rate risk, which means the prices of the fund's bond investments are likely to fall if interest rates rise. Bond investments also are subject to credit risk, which is the risk that the issuer of the bond may default on payment of interest or principal. Interest-rate risk is generally greater for longer-term bonds, and credit risk is generally greater for below-investment-grade bonds, which may be considered speculative. Unlike bonds, funds that invest in bonds 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.

Message from the Trustees

Dear Fellow Shareholder:

The U.S. economy has been exhibiting greater underlying strength than previously thought, with employment, consumer spending, manufacturing, and housing data all showing steady improvement this year. U.S. stocks and many international markets have responded by delivering strong returns.

Still, the rise in equities has been accompanied by heightened investor anxiety, fostered by Europe's ongoing troubles, China's economic slowdown, and the looming "fiscal cliff" in the United States. We believe volatility will remain a feature of market behavior until these challenges are resolved.

At Putnam, our portfolio managers and analysts are trained to uncover opportunities and manage risk in this type of environment. We also strongly believe that it is prudent for long-term investors to rely on the expertise of a trusted financial advisor, who can help them work toward their financial goals.

We would like to take this opportunity to announce the arrival of two new Trustees, Liaquat Ahamed and Katinka Domotorffy, CFA, to your fund's Board of Trustees. Mr. Ahamed, who in 2010 won the Pulitzer Prize for History with his book, *Lords of Finance: The Bankers Who Broke the World*, also serves on the Board of Aspen Insurance and the Board of the Rohatyn Group, an emerging-market fund complex that manages money for institutional investors.

Ms. Domotorffy, who until year-end 2011 was a Partner, Chief Investment Officer, and Global Head of Quantitative Investment Strategies at Goldman Sachs Asset Management, currently serves as a member of the Anne Ray Charitable Trust's Investment Committee, Margaret A. Cargill Philanthropies, and director for Reach Out and Read of Greater New York, an organization dedicated to promoting early childhood literacy.

We would also like to extend a welcome to new shareholders of the fund and to thank all of our investors for your continued confidence in Putnam.

About the fund

Potential for income exempt from federal income tax

Investing in municipal bonds through a fund such as Putnam Municipal Opportunities Trust can help address a significant challenge: taxes on your investment income. While the stated yields on municipal bonds are usually lower than those of taxable bonds, the income most of these bonds pay has the advantage of being exempt from federal tax.

Municipal bonds are typically issued by states and local municipalities to raise funds for building and maintaining public facilities. The bonds are backed by the issuing city or town, by revenues collected from usage fees, or by state tax revenues. Depending on the type of backing, the bonds will have varying degrees of credit risk, which is the risk that the issuer will not be able to repay the bond.

Many municipal bonds are not rated by independent rating agencies such as Standard & Poor’s andMoody’s.This is primarily because many issuers decide not to pursue a rating that might be below investment grade. As a result, the fund’smanagers must conduct additional research to determine whether these bonds are prudent investments.

Once the fund has invested in a bond, the managers continue to monitor developments that affect the overall bond market, the sector, and the issuer of the bond.

The goal of this in-depth research and active management is to stay a step ahead of the industry and pinpoint opportunities for investors.

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

More assets at work While open-end funds need to 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.

Net asset value vs. market price 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 itsliabilities, 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.

Data are historical. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return and net asset value will fluctuate, and you may have a gain or a loss when you sell your shares. Performance assumes reinvestment of distributions and does not account for taxes. Fund returns in the bar chart are at NAV. See pages 5 and 10–11 for additional performance information, including fund returns at market price. Index and Lipper results should be compared with 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.

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

Interview with your fund's portfolio manager

Putnam Municipal Opportunities Trust posted gains during the first half of its fiscal year. How would you describe the investment environment?

The past six months marked a solid period for both municipal bonds and the fund. For much of the period, interest rates trended lower as investors focused on the possibility of a deteriorating situation in the European sovereign debt markets and a slowing economy in the United States. This downward trend in rates helped bond markets in general, as bond prices move in the opposite direction of rates. Meanwhile, the introduction in September of a third round of bond-buying by the U.S. Federal Reserve — known as "QE3" — kept downward pressure on longer-dated bonds. Technical factors were also a tailwind for investors, as strong market demand continued to outpace supply, particularly since many municipal issuers have been taking advantage of today's low prevailing interest rates by refunding existing debt.

Against this backdrop, tax-exempt bonds posted solid returns and outpaced the broad taxable bond market, as measured by the Barclays U.S. Aggregate Bond Index. Moreover, I am pleased to report that the fund outperformed its benchmark during the past six months, although it trailed the average return of its Lipper peer group.

This comparison shows your fund's performance in the context of broad market indexes for the six months ended 10/31/12. See pages 4 and 10–11 for additional fund performance information. Index descriptions can be found on page 12.

What has the default picture looked like in the municipal bond market?

Bankruptcy filings continued to capture headlines during the past six months, with three California cities — Mammoth Lakes, San Bernardino, and Stockton — all filing for protection in recent months. While these developments captured media attention, it's important to put them in context. Through the end of September 2012, $3.3 billion of the $3.7 trillion municipal bond market had defaulted, representing about 0.09% of the overall market. On an annualized basis, this figure is in line with the 10-year average annual default rate, and represents a marked decline from 2011's annual cumulative default rate.

Looking ahead, we believe defaults are likely to remain in line with historical averages. That said, we also believe it's likely that certain cities or counties will continue to captureheadlines as we close out 2012 and begin 2013 as a number of municipalities work to find their fiscal footing; additional bankruptcy filings are certainly a possibility.

What effect have potential policy changes had on the tax-exempt bond market?

As the 2012 presidential election race heated up, there was more discussion about tax reform and federal spending levels. With President Obama having been reelected for a second term, we believe an across-the-board reduction in individual rates is now highly unlikely. Tax rates, of course, represent one component of the broader "fiscal cliff" looming at the start of 2013. Without additional legislation, the so-called Bush-era tax cuts will expire and federal funding will automatically be sequestered — per last year's debt ceiling negotiations — beginning January 1, 2013. The Congressional Budget Office estimates that the combined effect of the spending cuts

Credit qualities are shown as a percentage of the fund's portfolio market value as of 10/31/12.A bond rated Baa or higher (MIG3/VMIG3 or higher, for short-term debt) is considered investment grade. The chart reflects Moody's ratings; percentages may include bonds or derivatives not rated by Moody's but rated by Standard & Poor's (S&P) or, if unrated by S&P, by Fitch, and then included in the closest equivalent Moody's rating. Ratings will vary over time. Credit qualities are included for portfolio securities and are not included for derivative instruments and cash. The fund itself has not been rated by an independent rating agency.

and tax hikes could negatively impact GDP anywhere from –2% to –4%. With the U.S. economy growing at a rate of only about 2% a year, that level of decline obviously would be detrimental. Lawmakers are keenly aware of the issues, and our belief is that Congress will likely act sometime before the end of the year. The market is hopeful that an extension deal can be reached before January, and a longer-term solution to debt levels may be addressed in the first part of 2013.

All told, it's difficult to gauge the net effect of this policy uncertainty. To date, the performance of the municipal bond market has been quite strong despite the uncertainty related to the fiscal cliff. As always, we are monitoring the political situation closely, and believe that, given the less-than-certain environment going forward, our funds are well positioned for helping investors pursue diverse tax-free income opportunities.

How are states' finances faring today?

We have definitely seen improvement across the board. The National Conference of State Legislatures recently reported that for the first time since 2008, more than half of the states are projected to finish their fiscal years with positive balances — an encouraging trend. That said, stresses continue to exist at the local level, where many states have lowered expenses by reducing their financial support. Moreover, should the economy begin to decelerate and growth begin to stall, that would almost certainly negatively affect municipal finances, we believe. With this in mind, we are taking a somewhat

Top ten state allocations are shown as a percentage of the fund's portfolio market value as of 10/31/12. Investments in Puerto Rico represented 4.1% of portfolio value. Holdings will vary over time. State concentrations listed in the portfolio schedule in the Financial Statements section of this shareholder report are inclusive of tender option bonds and exclusive of any interest accruals, and may differ from the summary information above.

cautious view on the outlook for local general obligation bonds overall.

How did you position the portfolio during the fund's fiscal year?

We sought to benefit from improving fundamentals in the municipal bond market. While we believed that the budget challenges faced by many municipalities were significant, we were confident that conditions would improve as long as the broad economy did not stall. Against this backdrop, we believed that essential service revenue bonds continued to be attractive, while we remained highly selective regarding the fund's positioning in local general obligation bonds [G.O.s], which are securities issued at the city or county level. As the federal government looks to reduce transfer payments to the states, we believe that these types of bonds are at risk for downgrades or other headline-driven price volatility. And unlike state general obligation bonds, local G.O.s rely more on property tax revenue than on income or sales taxes. With real-estate prices still under pressure in many markets, property taxes have been slower to recover than other tax sources.

From a credit perspective, we held overweight positions in A-rated and Baa-rated securities versus the fund's benchmark. In terms of sectors, relative to the benchmark index, we favored higher education, utility, and health-care bonds, including those of hospitals and continuing-care retirement communities. Overall, this positioning generally helped the fund's relative performance during its fiscal year.

On the other hand, our slightly short duration positioning was an overall detractor from performance relative to our Lipper peers. Also, an underweight position in non-rated municipal bonds hampered relative performance for the fund as well.

This chart shows how the fund's top weightings have changed over the past six months. Weightings are shown as a percentage of portfolio market value. Summary information may differ from the portfolio schedule included in the financial statements due to the inclusion of any interest accruals, the exclusion of as-of trades, if any, and the use of different classifications of securities for presentation purposes. Holdings will vary over time.

During the reporting period, the fund reduced its distribution rate. What was driving that decision?

In September, the fund reduced its distribution rate from $0.0663 to $0.0559 per share. With heightened refinancing activity and interest rates on newer bonds paying lower coupons, the income offered in today's municipal bond universe is generally lower, and the reduced distribution rate reflects that change.

What is your outlook for the months ahead?

We continue to be optimistic on the outlook for municipal bonds, given strong market technicals, and maintain our overweight position in essential-service revenue bonds. While spreads are well off their wides, they remain attractive. Technical factors in the market have been positive — specifically, higher refunding activity and strong investor demand. Like most asset classes, the municipal market will likely be more heavily influenced by the fiscal cliff the closer we get to January 1, as market participants look to Washington, D.C., for clues about a short-term extension of tax rates, the sequestration of funding, the debt ceiling, and the potential for broader tax reform in 2013. All of these factors could impact the value of municipal bonds' tax exemption, the availability of those bonds, and the transfer of federal dollars to state and local municipalities, and therefore credit quality.

Thank you, Thalia, for your time and insights today.

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

Please note that the holdings discussed in this report may not have been held by the fund for the entire period. Portfolio composition is subject to review in accordance with the fund's investment strategy and may vary in the future. Current and future portfolio holdings are subject to risk.

Portfolio Manager **Thalia Meehan** holds a B.A. from Williams College. A CFA charterholder, Thalia joined Putnam in 1989 and has been in the investment industry since 1983.

In addition to Thalia, your fund's portfolio managers are Paul M. Drury, CFA, and Susan A. McCormack, CFA.

IN THE NEWS

After decelerating in the middle of the year, the world's two largest economies — the United States and China — are showing signs of growth. Stronger housing demand and hiring is appearing in the United States, and factory output and retail sales are rising in China, potentially marking an end to the recent slowdown in that economy. This fall, President Barack Obama was elected to a second term in the United States, and Xi Jinping, in a once-in-a-decade transition of power, was named President of China. Neither country is without its potential difficulties, however. The United States must produce a budget agreement that averts the across-the-board tax increases and austerity measures in the "fiscal cliff," and China's new leadership remains untested.

Your fund's performance

This section shows your fund's performance, price, and distribution information for periods ended October 31, 2012, 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 represent past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return, net asset value, and market price will fluctuate, and you may have a gain or a loss when you sell your shares.

Fund performance Total return for periods ended 10/31/12

Lipper General &

Insured Municipal

	NAV	Market price	Barclays Municipal Bond Index	Debt Funds (leveraged closed-end) category average*
Annual average Life of fund (since 5/28/93)	6.65%	6.28%	5.78%	6.54%
10 years	100.72	110.17	66.60	97.28
Annual average	7.22	7.71	5.24	6.99
5 years	45.80	63.84	33.96	45.32
Annual average	7.83	10.38	6.02	7.73
3 years	39.96	49.04	21.95	41.23
Annual average	11.86	14.23	6.84	12.17
1 year	17.77	22.03	9.03	18.77
6 months	6.78	8.81	3.34	7.15

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

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.

* Over the 6-month, 1-year, 3-year, 5-year, 10-year, and life-of-fund periods ended 10/31/12, there were 75, 75, 74, 72, 66, and 39 funds respectively, in this Lipper category.

Fund price and distribution information For the six-month period ended 10/31/12

Distributions — Common shares	
Number	6
Income [1]	$0.377
Capital gains [2]	—

Total	**$0.377**

Distributions — Preferred shares	**Series B (3,417 shares)**	**Series C (3,737 shares)**
Income [1]	$34.95	$34.86
Capital gains [2]	—	—
Total	**$34.95**	**$34.86**

Share value	**NAV**	**Market price**
4/30/12	$12.97	$12.70
10/31/12	13.46	13.43
Current yield (end of period)		
Current dividend rate [3]	4.98%	4.99%
Taxable equivalent [4]	7.66	7.68

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

[1] For some investors, investment income may be subject to the federal alternative minimum tax. Income from federally exempt funds may be subject to state and local taxes.

[2] Capital gains, if any, are taxable for federal and, in most cases, state purposes.

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

[4] Assumes maximum 35.00% federal tax rate for 2012. Results for investors subject to lower tax rates would not be as advantageous.

Fund performance as of most recent calendar quarter
Total return for periods ended 9/30/12

	NAV	**Market price**
Annual average		

Life of fund (since 5/28/93)	6.64%	6.21%
10 years	92.97	92.27
Annual average	6.79	6.76
5 years	45.49	59.33
Annual average	7.79	9.76
3 years	35.09	40.93
Annual average	10.55	12.12
1 year	16.44	20.18
6 months	7.91	8.58

Terms and definitions

Important terms

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

Net asset value (NAV) is the value of all your fund’s assets, minus any liabilities, divided by the number of outstanding shares.

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

Fixed-income terms

Current 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.

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

Comparative indexes

Barclays Municipal Bond Index is an unmanaged index of long-term fixed-rate investment-grade tax-exempt bonds.

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

BofA (Bank of America) Merrill Lynch U.S. 3-Month Treasury Bill Index is an unmanaged index that seeks to measure the performance of U.S. Treasury bills available in the marketplace.

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.

Other information for shareholders

Important notice regarding share repurchase program

In September 2012, 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, 2012, up to 10% of the fund's common shares outstanding as of October 7, 2012.

Important notice regarding delivery of shareholder documents

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

Proxy voting

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2012, are available in the Individual Investors section of putnam.com, and on the SEC's website, www.sec.gov. Ifyou have questions about finding forms on the SEC's website, you may call the SEC at 1-800-SEC-0330. You may also obtain the Putnam funds' proxy voting guidelines and procedures at no charge by calling Putnam's Shareholder Services at 1-800-225-1581.

Fund portfolio holdings

The fund will file a complete schedule of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Shareholders may obtain the fund's Forms N-Q on the SEC's website 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 website or the operation of the Public Reference Room.

Trustee and employee fund ownership

Putnam employees and members of the Board of Trustees place their faith, confidence, and, most importantly, investment dollars in Putnam mutual funds. As of October 31, 2012, Putnam employees had approximately $338,000,000 and the Trustees had approximately $82,000,000 invested in Putnam mutual funds. These amounts include investments by the Trustees' and employees' immediate family members as well as investments through retirement and deferred compensation plans.

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 with respect to your fund between Putnam Management and its affiliate, Putnam Investments Limited ("PIL").

The Board of Trustees, with the assistance of its Contract Committee, requests and evaluates all information it deems reasonably necessary under the circumstances in connection with its annual contract review. The Contract Committee consists solely of Trustees who are not "interested persons" (as this term is defined in the Investment Company Act of 1940, as amended (the "1940 Act")) of the Putnam funds ("Independent Trustees").

At the outset of the review process, members of the Board's independent staff and independent legal counsel met with representatives of Putnam Management to review the annual contract review materials furnished to the Contract Committee during the course of the previous year's review and to discuss possible changes in these materials that might be necessary or desirable for the coming year. Following these discussions and in consultation with the Contract Committee, the Independent Trustees' independent legal counsel requested that Putnam Management furnish specified information, together with any additional information that Putnam Management considered relevant, to the Contract Committee. Over the course of several months ending in June 2012, the Contract Committee met on a number of occasions with representatives of Putnam Management, and separately in executive session, to consider the information that Putnam Management provided. Throughout this process, the Contract Committee was assisted by the members of the Board's independent staff and by independent legal counsel for the Putnam funds and the Independent Trustees.

In May 2012, the Contract Committee met in executive session with the other Independent Trustees to discuss the Contract Committee's preliminary recommendations with respect to the continuance of the contracts. At the Trustees' June 22, 2012 meeting, the Contract Committee met in executive session with the other Independent Trustees to review a summary of the key financial data that the Contract Committee considered in the course of its review. The Contract Committee then presented its written report, which summarized the key factors that the Committee had considered and set forth its final recommendations. The Contract Committee then recommended, and the Independent Trustees approved, the continuance of your fund's management and sub-management contracts, effective July 1, 2012. (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.)

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 services, and

- That the 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.

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 management 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 some aspects of the arrangements may receive greater scrutiny in some years than others, and that the Trustees' conclusions may be based, in part, on their consideration of fee arrangements in previous years.

Management fee schedules and total expenses

The Trustees reviewed the management fee schedules in effect for all Putnam funds, including fee levels and breakpoints. In reviewing management fees, the Trustees generally focus their attention on material changes in circumstances — for example, changes in assets under management, changes in a fund's 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.

Your fund has the benefit of breakpoints in its management fee that provide shareholders with significant economies of scale in the form of reduced fee levels as the fund's assets under management increase. 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 schedule in effect for your fund represented an appropriate sharing of economies of scale at that time.

The Trustees reviewed comparative fee and expense information for a custom group of competitive funds selected by Lipper Inc. This comparative information included your fund's percentile ranking for effective management fees and total expenses, which provides a general indication of your fund's relative standing. In the custom peer group, your fund ranked in the 1st quintile in effective management fees (determined for your fund and the other funds in the custom peer group based on fund asset size and the applicable contractual management fee schedule) and in the 5th quintile in total expenses as of December 31, 2011 (the first quintile representing the least expensive funds and the fifth quintile the most expensive funds). The fee and expense data reported by Lipper as of December 31, 2011 reflected the most recent fiscal year-end data available in Lipper's database at that time.

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 provided and the profits realized by Putnam Management and its affiliates from their contractual relationships with the funds. This information included trends in revenues, expenses and profitability of Putnam Management and its affiliates relating to the investment management, investor servicing and distribution services provided to the funds. In this regard, the Trustees also reviewed an analysis of Putnam Management's revenues, expenses and profitability, allocated on a fund-by-fund basis, with respect to the funds' management, distribution, and investor servicing contracts. For each fund, the analysis presented information about revenues, expenses and profitability for each of the agreements separately and for

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the agreements taken together on a combined basis. The Trustees concluded that, at current asset levels, the fee schedules in place represented reasonable compensation for the services being provided and represented an appropriate sharing of such economies of scale as may exist in the management of the funds at that time.

The information examined by the Trustees as part of their annual contract review for the Putnam funds 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, and the like. This information included comparisons of those fees with fees charged to the funds, as well as an assessment of the differences in the services provided to these different types of clients. The Trustees observed that the differences in fee rates between institutional clients and 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 may reflect historical competitive forces operating in separate markets. The Trustees considered the fact that in many cases fee rates across different asset classes 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 its institutional clients. The Trustees did not rely on these comparisons to any significant extent in concluding that the management fees paid by your fund are reasonable.

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 oversight committees of the Trustees, which meet on a regular basis with the funds' portfolio teams and with the Chief Investment Officer and other members of Putnam Management's Investment Division throughout the year. The Trustees concluded that Putnam Management generally provides a high-quality investment process — based on the experience and skills of the individuals assigned to the management of fund portfolios, the resources made available to them, and in general Putnam Management's ability 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, where applicable, with the performance of competitive funds or targeted annualized return. They noted that since 2009, when Putnam Management began implementing major changes to strengthen its investment personnel and processes, there has been a steady improvement in the number of Putnam funds showing above-median three-year performance results. They also noted the disappointing investment performance of some funds for periods ended December 31, 2011 and considered information provided by Putnam Management regarding the factors contributing to the underperformance and actions being taken to improve the performance of these particular funds. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these efforts and to evaluate whether additional actions to address areas of underperformance are warranted.

In the case of your fund, the Trustees considered that its common share cumulative total return performance at net asset value was in the following quartiles of its Lipper Inc. peer group (Lipper General & Insured Municipal Debt Funds (leveraged closed-end)) for the one-year, three-year and five-year periods ended December 31, 2011 (the first quartile representing the best-performing funds and the fourth quartile the worst-performing funds):

One-year period	2nd
Three-year period	2nd
Five-year period	3rd

Over the one-year, three-year and five-year periods ended December 31, 2011, there were 83, 80 and 80 funds, respectively, in your fund's Lipper peer group. (When considering performance information, shareholders should be mindful that past performance is not a guarantee of future results.)

Brokerage and soft-dollar allocations; investor servicing

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 allocation and the use of soft dollars, whereby a portion of the commissions paid by a fund for brokerage may be used to acquire research services that are expected to be useful to Putnam Management in managing the assets of the fund and of other clients. Subject to policies established by the Trustees, soft-dollar credits acquired through these means are used primarily to acquire research services that supplement Putnam Management's internal research efforts. However, the Trustees noted that a portion of available soft-dollar credits continues to be allocated to the payment of fund expenses. The Trustees indicated their continued intent to monitor regulatory developments in this area with the assistance of their Brokerage Committee and also indicated their continued intent to monitor the potential benefits associated with fund brokerage and soft-dollar allocations and trends in industry practices to ensure that the principle of seeking best price and execution remains paramount in the portfolio trading process.

Putnam Management may also receive benefits from payments that the funds make to Putnam Management's affiliates for investor services. In conjunction with the annual review of your fund's management and sub-management contracts, the Trustees reviewed your fund's investor servicing agreement with Putnam Investor Services, Inc. ("PSERV"), an affiliate of Putnam Management. The Trustees concluded that the fees payable by the funds to PSERV for such services are reasonable in relation to the nature and quality of such services.

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 non-investment assets are added together. Any unpaid expenses and other liabilities are subtracted from this total. The result is divided by the number of shares to determine the net asset value per share. (For funds with preferred shares, the amount subtracted from total assets includes the liquidation preference of preferred shares.)

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

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

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

The fund's portfolio10/31/12 (Unaudited)

Key to holding's abbreviations

AGM Assured Guaranty Municipal Corporation

AGO Assured Guaranty, Ltd.

AMBAC AMBAC Indemnity Corporation

COP Certificates of Participation

FGIC Financial Guaranty Insurance Company

FRB Floating Rate Bonds: the rate shown is the current interest rate at the close of the reporting period.

G.O. Bonds General Obligation Bonds

NATL National Public Finance Guarantee Corp.

SGI Syncora Guarantee, Inc.

U.S. Govt. Coll. U.S. Government Collateralized

VRDN Variable Rate Demand Notes, which are floating-rate securities with long-term maturities, that carry coupons that reset every one or seven days. The rate shown is the current interest rate at the close of the reporting period.

MUNICIPAL BONDS AND NOTES (137.1%)*	**Rating****	**Principal amount**	**Value**
Alabama (0.1%)			
Selma, Indl. Dev. Board Rev. Bonds (Gulf Opportunity Zone Intl. Paper Co.), Ser. A, 5.8s, 5/1/34	BBB	$750,000	$843,330
			843,330
Arizona (3.4%)			
Casa Grande, Indl. Dev. Auth. Rev. Bonds (Casa Grande Regl. Med. Ctr.), Ser. A, 7 5/8s, 12/1/29	BB–/P	3,025,000	3,108,732
Cochise Cnty., Indl. Dev. Auth. Rev. Bonds (Sierra Vista Cmnty. Hosp.), Ser. A, 6 3/4s, 12/1/26	BBB+/P	380,000	380,657
Coconino Cnty., Poll. Control Rev. Bonds (Tucson Elec. Pwr. Co. — Navajo), Ser. A, 5 1/8s, 10/1/32	Baa3	1,500,000	1,592,520
Glendale, Indl. Dev. Auth. Rev. Bonds (Midwestern U.), 5 1/8s, 5/15/40	A–	2,125,000	2,270,498
Maricopa Cnty., Poll. Control Rev. Bonds (El Paso Elec. Co.), Ser. A, 7 1/4s, 2/1/40	Baa2	2,400,000	2,850,024

Phoenix, Civic Impt. Corp. Arpt. Rev. Bonds, Ser. A, 5s, 7/1/40	A1	1,000,000	1,102,050
Pima Cnty., Indl. Dev. Auth. Rev. Bonds			
(Tucson Elec. Pwr. Co.), 5 3/4s, 9/1/29	Baa3	800,000	852,480
(Horizon Cmnty. Learning Ctr.), 5.05s, 6/1/25	BBB	1,550,000	1,530,083
Pinal Cnty., Elec. Rev. Bonds (Dist. No. 3), 5 1/4s, 7/1/36	A	500,000	555,755
Salt River Agricultural Impt. & Pwr. Dist. Rev. Bonds, Ser. A, 5s, 12/1/31	Aa1	3,000,000	3,609,420
Tempe, Indl. Dev. Auth. Lease Rev. Bonds (ASU Foundation), AMBAC, 5s, 7/1/28	AA/P	500,000	503,790
U. Med. Ctr. Corp. AZ Hosp. Rev. Bonds, 6 1/2s, 7/1/39	Baa1	1,000,000	1,167,640
			19,523,649
California (24.6%)			
ABC Unified School Dist. G.O. Bonds, Ser. B, FGIC, zero %, 8/1/20	Aa3	1,500,000	1,171,470
Bay Area Toll Auth. of CA Rev. Bonds (San Francisco Bay Area), Ser. F-1, 5s, 4/1/39	AA	2,500,000	2,762,174

MUNICIPAL BONDS AND NOTES (137.1%)* *cont.*	**Rating****	**Principal amount**	**Value**
California *cont.*			
Burbank, Unified School Dist. G.O. Bonds (Election of 1997), Ser. C, NATL, FGIC, zero %, 8/1/23	AA–	$1,000,000	$663,970

CA Edl. Fac. Auth. Rev. Bonds			
(Claremont Graduate U.), Ser. A, 5s, 3/1/42	A3	2,000,000	2,073,720
(U. of the Pacific), 5s, 11/1/21	A2	1,500,000	1,628,565
(Loyola-Marymount U.), NATL, zero %, 10/1/21	A2	1,300,000	959,465
CA Hsg. Fin. Agcy. Rev. Bonds (Home Mtge.)			
Ser. E, 4.8s, 8/1/37	Baa2	5,000,000	4,716,400
Ser. K, 4 5/8s, 8/1/26	Baa2	2,500,000	2,439,000
CA Muni. Fin. Auth. COP (Cmnty. Hosp. Central CA), 5 1/4s, 2/1/37	Baa2	1,800,000	1,864,782
CA Poll. Control Fin. Auth. Rev. Bonds			
(San Jose Wtr. Co.), 5.1s, 6/1/40	A	3,500,000	3,813,704
(Pacific Gas & Electric Corp.), Class D, FGIC, 4 3/4s, 12/1/23	A3	2,500,000	2,720,125
CA Poll. Control Fin. Auth. Solid Waste Disp. FRB			
(Waste Management, Inc.), Ser. C, 5 1/8s, 11/1/23	BBB	850,000	923,049
CA Poll. Control Fin. Auth. Wtr. Fac. Rev. Bonds			
(American Wtr. Cap. Corp.), 5 1/4s, 8/1/40	BBB+	1,000,000	1,044,300
CA State G.O. Bonds			
6 1/2s, 4/1/33	A1	12,000,000	15,050,640
5 1/2s, 3/1/40	A1	7,450,000	8,591,787
5s, 4/1/42	A1	4,000,000	4,433,240
5s, 10/1/29	A1	4,000,000	4,500,840
CA State Pub. Wks. Board Rev. Bonds			
Ser. I-1, 6 1/8s, 11/1/29	A2	1,000,000	1,219,660
Ser. A-1, 6s, 3/1/35	A2	1,600,000	1,900,640
(Dept. of Forestry & Fire), Ser. E, 5s, 11/1/32	A2	1,575,000	1,694,228
(Capital Projects), Ser. A, 5s, 4/1/29	A2		